



Advantage MPP
MPP Guide

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1. Introduction

1.1 Overview

Since its inception in 2001, the Mortgage Purchase Program (MPP) has provided a source of liquidity to Federal Home Loan Bank of Indianapolis (FHLBank Indianapolis) members and expanded options to loan originators to prudently help borrowers own a home. Advantage MPP is offered to participating financial institutions (PFIs) to support their respective missions. Advantage MPP offers members a competitively priced alternative to the secondary mortgage market that can generate additional income while providing reduced interest rate risk and balance sheet flexibility.

1.1.1 MPP Guide Contents

This Guide details everything needed to facilitate MPP including:

- Application requirements
- Commitment Process
- Sale Requirements
- Purchase Information
- Underwriting Guidelines
- Quality Assurance Program details
- Transfer of Servicing Rights
- Remittance Schedule
- Mortgage Servicing Guidelines
- Custodial Arrangement
- Payments
- Advance Agreements

1.2 Eligible Mortgages

FHLBank Indianapolis will purchase Conventional or FHA 15-, 20-, or 30-year fixed rate, first lien, fee simple and fully amortizing, up to conforming loan limits, level-payment mortgages limited to points and fees less than 3% of the total loan amount, or such other limits for low balance loans as set forth in the Consumer Financial Protection Bureau (CFPB) Qualified Mortgage (QM) rule and are QM compliant including:

- Primary, owner-occupied, detached residences.
- Single-family properties
- 2, 3, and 4-unit properties
- Modular housing
- Primary, owner-occupied, attached residences, including condominiums and Planned Unit Developments (PUDs)
- Second/vacation homes
- Manufactured Homes (FHA only)

FHLBank Indianapolis will purchase the following mortgages as described above at the following pricing structure:

Loan Term	MDC Price
5 to 15-year loans	15-year price
Greater than 15 years up to 20 years	20-year price
Greater than 20 years up to 30 years	30-year price

Mortgages more than 180 days from Note Date to the Settlement Date require FHLBank Indianapolis approval prior to entering into the Mandatory Delivery Contract (MDC).

All mortgages must meet Master Commitment Contract (MCC) parameters, the guidelines specified in this MPP Guide, and the property securing the loan must also be located in the continental United States, Alaska, or Hawaii unless otherwise indicated in seller’s MCC.

1.3 Standards and Regulatory Compliance

Sellers and Servicers must be in full compliance with all applicable federal, state, and local laws including, without limitation, usury, Truth in Lending (TIL), real estate settlement procedures, predatory lending, consumer credit protection, equal credit opportunity, fair housing, this Guide, and the appendices thereto, lending disclosure laws applicable to the Mortgage, and all laws and regulations relating to the treatment of non-public personal information, including without limitation the Gramm-Leach Bliley Act, as amended (“GLB Act”). Sellers and Servicers shall further comply with this Guide, and the appendices thereto.

In addition, FHLBank Indianapolis requires all loans sold into MPP meet the definition of QM loans, as defined in applicable CFPB regulations, and to meet the CFPB’s Safe Harbor QM requirements.

1.3.1 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/or BSA regulations must report to the MPP Department all instances of the following:

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

Servicers not subject to FinCEN, AML, or - 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 MPP Department all instances of suspicious activity related to Mortgages it services.

Suspicious activity must be reported to the MPP Department by emailing MPP@fhbi.com PFIs and Servicers must follow the confidentiality restrictions of FinCEN, AML, and BSA regulations. The report to the MPP Department- must not include sharing with the MPP Department any Suspicious Activity Report (SAR) or the existence of a SAR.

1.3.2 Department of Treasury Office of Foreign Assets Control (OFAC) Regulation

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 FHLBank Indianapolis Guidelines. Loans are ineligible for delivery under the MPP Program if the Borrower, key principle, 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 MPP Program, the PFI must verify that the Borrowers, key principle, 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 and immediately notify the MPP Department if a match is discovered. The notice must include the Borrower's name, the MPP loan number, and the Servicer's contact information.

1.4 FHLBANK INDIANAPOLIS Contacts

Use the following table of contacts for any questions you may have about MPP or this Guide.

Toll Free Number: 800-274-4636

Department Email: mpp@fhlbi.com

Fax: 317-465-0287

Name	Area	Contact Information
Keith Pempek	Business Development, MCC Negotiations, Training, Underwriting, LAS	317-465-0558 kpempek@fhlbi.com
Steve Broviak	Operations (Acquisitions, Servicing)	317-465-0546 sbroviak@fhlbi.com
Jeff Gentner	Acquisitions (MCC Contracts, Trading), Remittance and Reporting	317-465-0544 jgentner@fhlbi.com
Candace Trzaskowski	Acquisitions (MCC Contracts, Trading, Pair-Offs, LAS)	317-465-0554 ctrzaskowski@fhlbi.com
Laurel Harpster	Servicing (Loss Claims and Foreclosures)	317-465-0415 lharpster@fhlbi.com
Dee Bolden	Quality Assurance (Underwriting, Servicing Audits, Document Custodian Questions)	317-405-1703 dbolden@fhlbi.com
Afshan Memon	Quality Assurance (Underwriting, Servicing Audits, Document Custodian Questions)	317-465-0548 amemon@fhlbi.com

1.4.1 External Resources

See Appendices, specifically Appendix F for a list of commonly referenced external websites.

1.5 Glossary

Ability-to-Repay (ATR)

Borrower(s) must have the financial means to repay their mortgage obligation, at the time of origination. The Seller must ensure the borrower(s) can repay the loan by reviewing financial documents (bank statements, tax records, etc.).

Accessory Dwelling Units (ADU)

An ADU is typically an additional living area independent of the primary dwelling that may have been added to, created within, or detached from a primary one-unit dwelling. The ADU must provide for living, sleeping, cooking, and bathroom facilities and be on the same parcel as the primary one-unit dwelling.

Accounting and Servicing Report

Sellers must submit monthly accounting and servicing reports for all mortgages as provided in [Section 17](#) of this Guide.

Actual/Actual

A remittance type that requires the lender to remit to FHLBank Indianapolis only the actual interest collected from borrowers and the actual principal payments collected from borrowers.

Addendum

A document attached to the Note or Security Instrument.

Advances, Pledge, and Security Agreement

FHLBank Indianapolis blanket agreement for advances and the creation of security interests in collateral as it now exists and as it may be amended from time to time.

Affiliate

An organization that can exercise control or considerable influence over the management or operating policies of the Seller, directly or indirectly, through some type of control or ownership, as defined in current financial accounting standards.

Aggregated Pool

A group of loans sold to FHLBank Indianapolis by multiple Sellers under specified Master Commitment Contract (MCC) aggregated into one pool under MPP's Pool Aggregation Program.

Allonge

An attachment to a Note or a negotiable Instrument where additional endorsements can be added.

Amortization

The gradual reduction of the mortgage debt through periodic payments scheduled over the mortgage term.

Appropriate Proceedings

Any legal or administrative action by the Servicer affecting either a loan or title to a property.

Assignment

Transfer of a right or lien interest in mortgages or the transfer instrument.

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.

Authorized Seller Representative

Representative authorized by the Seller to enter into Master Commitment Contract (MCCs) and Mandatory Delivery Contracts (MDCs). The Authorized Seller Representative is also referred to as a Manager or Trader in FHLBank Indianapolis's Loan Acquisition System (LAS) whose authority is granted by the Seller's Corporate Resolution.

Automated Underwriting System (AUS)

An automated underwriting system uses completed loan application data and makes loan decisions based on a variety of parameters.

Blanket Legal Opinion

A document expressing the opinion of qualified legal counsel on a group of similar documents or instruments as opposed to a separate opinion on each document or instrument.

Bond Market Business Day

A day or particular portion of a day other than a day or particular portion of a day on which the Bond Market Association schedules or recommends an early or full market closing.

Borrowed Funds

Funds invested in the transaction that come from a loan obtained by a verified borrower other than a loan secured by the subject property.

Broker Price Opinion (BPO)

A written estimate of the probable sales price of a property performed by a real estate broker or salesperson with or without an interior property inspection. Commonly used for quality control and loss mitigation.

Business Day

A day other than:

- 1) A day on which the Federal Reserve Bank of New York is authorized or obligated by law or executive order to remain closed, or
- 2) A day on which FHLBank Indianapolis offices are closed.

Cash for Keys

A program for occupants of a property after a foreclosure action has been filed to receive cash in exchange for surrendering the keys and vacating a property.

Cash Management Services (CMS) Account

The Seller's Demand Deposit account at FHLBank Indianapolis.

Cash Out Fee

A fee assessed for certain LTVs for 'cash out refinance' transactions as defined by MPP Guidelines.

Cash Out Refinance

A refinancing transaction in which the amount of money received from the new loan exceeds the total of the money needed to repay the existing first mortgage, closing costs, points, and the amount required to satisfy any outstanding subordinate mortgage liens.

Certification Form

For Initial Certification, the Document Custodian must certify the loan(s) in Loan Acquisition System (LAS) or complete a certification form (Exhibit A in the Custodial Agreement) pursuant to the *Document Custodian Manual* (Appendix A).

Clerk-Certified Copy

A true and correct copy certified by the recorder's office.

Closing Documents

Specific documents required in order to close a loan.

Closing Disclosure (CD)

Form that combined the HUD-1 and final Truth-in-Lending disclosure (final TIL and, together with the initial TIL, the Truth-in Lending forms). Form provides disclosures to consumers in understanding all of the costs of the transaction. This form must be provided to consumers at least three business days before consummation of the loan.

Combined Loan to Value (CLTV)

A ratio that is used for a mortgage loan that is subject to subordinate financing, which is calculated by dividing the sum of:

$$\text{CLTV} = \frac{\text{Original Loan Amt} + \text{Outstanding Principal Balance of a HELOC} + \text{UPB of subordinate financing}}{\text{Lesser of Property Sale Price or Appraised Value}}$$

Contingent Liability

When an individual may be held legally responsible for payment of a debt if another party, jointly or severally obligated, defaults on the payment.

Contract Commitment Amount

The total aggregate Unpaid Principal Balance (UPB) of mortgages to be sold to FHLBank Indianapolis specified on the applicable Mandatory Delivery Contract (MDC).

Controller

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

Conventional Mortgage

A mortgage that is not insured or guaranteed by the federal government.

Cosigned Obligations

To sign a document that has already been signed by a borrower of money, declaring that, should the borrower be unable to repay that money, the signer will repay the amount due.

Credit Losses

Losses related to non-payment of the mortgage.

Credit Policy

FHLBank Indianapolis 's *Credit Policy as it now exists and as it may be amended from time to time.*

Credit Score

A number summarizing an individual's credit profile. The number indicates the likelihood that a borrower will repay future obligations.

Curtailment

A partial prepayment of a loan balance.

Custodial Account

An account the Servicer deposits mortgage principal and interest payments into.

Custodial Agreement

A required agreement between the Seller and a Document Custodian. This agreement delineates the obligations and rights of the Document Custodian.

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.

Custody Register

The Document Custodian must maintain a Custody Register for each Seller pursuant to Section 1.4.4 of the *Document Custodian Manual* (See Appendices).

Cut-off Date

The last day of a calendar month.

Debt to Income Ratio (DTI)

A ratio derived by dividing the borrower's total monthly obligations (including housing expense) by his or her stable monthly income. This calculation is used to determine the mortgage amount for which a borrower qualifies. This term is often used interchangeably with total debt-to-income ratio and also expense ratio.

$$DTI = \frac{\text{Total Monthly Obligations}}{\text{Gross Monthly Income}}$$

Deed of Trust

A conveyance (of real estate title) by a borrower to a trustee as collateral security for the payment of a debt with the condition that the trustee must re-convey the title to the borrower upon satisfaction of the debt or, in the event of a default, sell the collateral real estate and pay the debt to the lender.

Deed-in-Lieu

A deed-in-lieu of foreclosure is a transfer of title from a borrower to the lender in satisfaction of the mortgage debt to avoid foreclosure; also called a Voluntary Conveyance.

Default

The event giving rise to a loss as specifically described in [Section 16](#), or as otherwise described in this Guide.

Defective Mortgage

A mortgage that meets one of the following criteria:

1. Will not be insured by an FHLBank Indianapolis-approved private mortgage insurer or the supplemental mortgage insurance provider for FHLBank Indianapolis.
2. For which private or supplemental mortgage insurance has been withdrawn.
3. Does not otherwise conform to the requirements of this Guide or any of the Program Documents.

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 FHLBank Indianapolis and to the extent such documents maintained in Electronic Form are tracked through the eRegistry, the required designations have been properly completed.

Delivery Period

The number of days specified in the Mandatory Delivery Contract (MDC) during which the Seller will deliver mortgages to FHLBank Indianapolis.

Demand Deposit Account

A bank account in which the funds are available for withdrawal at any time without penalty.

Document Custodian

The Document Custodian is an entity approved by FHLBank Indianapolis in accordance with Appendix A that verifies and retains Custody Files in accordance with the *Document Custodian Manual* and the Custodial

Agreement. The Seller may function as Document Custodian for the mortgages with FHLBank Indianapolis approval.

Document Custodian Manual

The *Document Custodian Manual* delineates the rights and responsibilities of the Document Custodian.

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 FHLBank Indianapolis.

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.

Early Payment Default

A loan that becomes more than 60 days delinquent within the first six months of origination.

Effective Income

Income used in calculating the borrower’s income ratios must be verified, stable and expected to continue.

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 FHLBank Indianapolis 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.

Endorsement

The assignment of an entire interest in a Note from one holder to another.

Equifax

Equifax is one of the three major reporting credit bureaus. Using a variety of credit scoring algorithms, Equifax offers a BEACON[®] score ranging from 300 to 850.

eRegistry

The electronic registry provided and operated by MERS or such other electronic registry as agreed in writing by FHLBank Indianapolis 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.

Escrow Custodial Account

The account into which the Servicer deposits Escrow Payments as specifically described in [Section 11.3.1](#) and [Section 11.3.3](#) of this Guide.

Escrow Payments

All taxes, assessments, ground rents, insurance premiums, and comparable items relating to a mortgage to be held in an Escrow Custodial Account, as specifically described in [Section 11.3.3](#) of this Guide.

E-Sign Act

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

Executed

With respect to a document, completed (i.e., signed).

Expected Losses

The estimated losses according to the terms in a Master Commitment Contract (MCC).

Experian

Experian is one of the three major reporting credit bureaus. Using a variety of credit scoring algorithms, Experian offers a Fair Isaac rating, most commonly called a FICO® score ranging from 300 to 850.

Fannie Mae

The Federal National Mortgage Association (or FNMA).

Fannie Mae or Freddie Mac Approved Mortgagee

An entity approved by Fannie Mae or Freddie Mac to sell and service mortgages.

Federal Housing Administration (FHA)

The Federal Housing Administration (FHA).

FHLBank

Any Federal Home Loan Bank (FHLBank).

Federal Home Loan Bank of Indianapolis (FHLBank Indianapolis)

The Federal Home Loan Bank of Indianapolis (FHLBank Indianapolis), its successors and assigns, whether on its own behalf or acting as agent for any other entity, including, without limitation, any other Federal Home Loan Bank (FHLBank).

FHLBank Indianapolis Guidelines

All applicable laws, regulations, and all other Program Documents.

Fixed Lender Risk Account (LRA)

An LRA maintained with a dollar amount equal to a percentage of the aggregate principal balance of mortgages sold to FHLBank Indianapolis, at the time of sale to FHLBank Indianapolis, which is maintained for a period of time by FHLBank Indianapolis to cover losses subject to release to the Seller under terms specified in the Master Commitment Contract (MCC).

Foreclosure

A legal procedure whereby property used as security for a debt is sold or the title is taken in order to satisfy the debt because of a default in payment or otherwise under the mortgage.

Freddie Mac

The Federal Home Loan Mortgage Corporation (or FHLMC).

Funding Schedule

The funding schedule is provided via Loan Acquisition System (LAS) and discloses the allocation of the funding amount to principal, interest, and fees.

Funds Custodian

The Funds Custodian is a financial institution that maintains principal and interest (P&I) custodial accounts and escrow custodial accounts for the mortgages. The Seller may function as the Funds Custodian for the mortgages with FHLBank Indianapolis approval.

Ginnie Mae or Government National Mortgage Association (GNMA)

A wholly owned corporate instrumentality of the United States Department of Housing and Urban Development (HUD).

Good Faith Estimate (GFE)

An estimate of the fees due at closing for a mortgage loan that must be provided by a lender to a borrower within three business days of the lender taking a borrower's loan application.

Good and Merchantable Title

A title to real estate that is clear and free from encumbrances, litigation, and other defects, and that can readily be sold or mortgaged to a reasonable buyer or mortgagee. It is a title that a court of equity considers to be so free from defect that it will legally force its acceptance by a buyer.

Government Sponsored Enterprise (GSE)

Examples include Fannie Mae, Freddie Mac, or an FHLBank.

Ground Lease/Leasehold Estate

A way of holding title to a property wherein the borrower does not actually own the property but has a recorded long-term lease on it.

Government Sponsored Enterprises (GSE) Guidelines

Any and all Guidebooks, requirements, bulletins, or updates pertaining to mortgage selling and servicing promulgated by Freddie Mac, Fannie Mae, or Ginnie Mae, as the same may be amended or supplemented from time to time.

Government Sponsored Enterprises (GSE) Servicing Guidelines

Those portions of GSE Guidelines that pertain to servicing mortgages eligible for purchase by the applicable GSE, including but not limited to the Fannie Mae Servicing Guide.

Guide

This MPP Guide, as it may be amended or supplemented from time to time.

Home Equity Combined Loan to Value (HCLTV)

HCLTV=Original Loan Amount + the Full Amount of any HELOCs (whether or not funds have been drawn) + UPB of subordinate financing divided by the lesser of Property Sale Price or Appraised Value.

Homeowners Association (HOA)

An entity formed to manage the day-to-day operation and long-term interests of residential dwelling communities, including condominium, co-op, and PUD projects. An HOA is typically created and vested with specific roles, responsibilities, and rights by the project's legal documents in compliance with applicable laws. For FHLBank Indianapolis purposes, the term HOA includes a homeowners' association, a common interest community association, a cooperative corporation, and other similar entities.

Housing and Urban Development (HUD)

The United States Department of Housing and Urban Development.

HUD-1 Settlement Statement

A form required by federal law that provides disclosures to borrower(s) of the final loan terms and costs of the mortgage loan transaction. References to “settlement statement” include the HUD-1 Settlement Statement and Closing Disclosure forms, as applicable, based on the application date of the mortgage loan.

Independent Audit (IA)

An independent auditor that meets the auditor qualifications required by the banking agency or federal regulating authority that has jurisdiction over the particular Seller including the qualifications relating to independence and continuing professional education. Additionally, the audit organization must meet the quality control standards of such banking agency or federal regulatory authority.

Initial Certification

The Document Custodian’s certification that it has received all Mortgage Documents required by Appendix A for Initial Certification to be in the Custody File at least one business day prior to the applicable Settlement Date.

Installment Land Contract

An agreement to transfer title to a property once conditions of the contract have been fulfilled. Also known as a contract or bond for deed.

Inter Vivos Revocable Trust

A trust that an individual creates during his or her lifetime that becomes effective during his or her lifetime, but which can be changed or canceled at any time for any reason during its creator’s lifetime.

Interested Party

Anyone (other than the property purchaser) who has a financial interest in or can influence the terms and the sale or transfer of the subject property.

Interim Assignment

The transfer or conveyance of ownership rights to another party.

Investor Property Mortgage

A loan secured by a mortgage on an investment property.

Junior Lien

Sometimes also referred to as a Junior (Second or Third) Mortgage, a Junior Lien is a mortgage or other lien that does not stand in a first lien position.

Legal Opinion

A formal written opinion that cites legal precedent from qualified outside legal counsel as to whether a Security Instrument or other document complies with jurisdictional law and/or practice.

Lender Risk Account (LRA)

The lender risk account established on behalf of the Seller for each Master Commitment Contract (MCC) to provide first loss coverage after private mortgage insurance, if applicable, for expected losses. The LRA may be either a fixed LRA or a spread LRA. The required balance of the LRA shall be computed as provided in the LRA Agreement.

Letter of Determination Review (LODR)

This option is available through Federal Emergency Management Agency (FEMA) to a property owner to appeal a lender's flood zone determination.

Letter of Map Amendment (LOMA)

An official amendment, by letter from Federal Emergency Management Agency (FEMA) to an effective National Flood Insurance Program (NFIP) map. This amendment establishes a property's location in relation to the Special Flood Hazard Area (SFHA). LOMAs are usually issued because a property has been inadvertently mapped as being in the floodplain but is actually on natural high ground above the base flood elevation.

Letter of Map Revision (LOMR)

This is a response from Federal Emergency Management Agency (FEMA) to modify an effective Flood Insurance Rate Map (FIRM), Flood Boundary and Floodway Map (FBFM), or both.

Lien

A form of security interest granted over an item of property to secure the payment of a debt or performance of some other obligation.

Limited Cash Out

A refinance transaction in which the mortgage amount generally is limited to the sum of the Unpaid Principal Balance (UPB) of the existing first mortgage, closing costs (including prepaid items), points, and the amount required to satisfy any mortgage liens if the documented proceeds of the subordinate financing were solely used to acquire the property (if the borrower chooses to satisfy them), and other funds for the borrower's use (as long as the amount does not exceed the lesser of \$2,000 or 2% of the principal amount of the new mortgage).

Living Trust (Inter Vivos)

An arrangement under which one person or entity, called a Trustee, holds legal title to property for the benefit of another person, called a Beneficiary.

Loan

See Mortgage below.

Loan Acquisition System (LAS)

Secure online system used by FHLBank Indianapolis Members to sell and deliver loans to Advantage MPP.

Loan Estimate (LE)

Form that combined the Good Faith Estimate (GFE) and the initial Truth-in-Lending disclosure (initial TIL). The form provides disclosures to consumers in understanding key features, costs, and risks of the mortgage loan for which consumers are applying. This form must be provided to consumers no later than the third business day after they submit a loan application.

Loan Modification

A process where the terms of a mortgage are modified outside of the original terms of the contract agreed to by the lender and borrower (i.e., mortgagee and mortgagor).

Loan to Value (LTV)

The loan-to-value ratio is the Unpaid Principal Balance (UPB) of the mortgage divided by the lesser of the sales price or appraised value of the property.

Loss

The amount payable as a result of a default by the borrower on a loan, calculated in accordance with the Master Commitment Contract (MCC).

Lost Note Affidavit (LNA)

An affidavit filed for the missing or destruction of a Note or other indebtedness secured by the deed of trust, mortgage or another instrument from the owner or holder of the instrument.

Mandatory Delivery Contract (MDC)

A transaction that obligates a Seller to sell a specified dollar amount of mortgages with specified characteristics to FHLBank Indianapolis at a specified purchase price on a specified Settlement Date.

Master Agreement

The mortgage selling and servicing Master Agreement details the obligations of the Seller and FHLBank Indianapolis regarding sales and servicing of mortgages.

Master Commitment Contract (MCC)

An agreement between FHLBank Indianapolis and the Seller to sell a specified aggregate principal balance of mortgages with specified characteristics over a fixed period of time.

Master Commitment Contract (MCC) Number

As reported in Loan Acquisition System (LAS), a number FHLBank Indianapolis assigns to all Master Commitment Contracts (MCCs).

Master File

The Document Custodian must maintain a Master File in accordance with the *Document Custodian Manual* (Appendix A).

Master Servicer

The entity which FHLBank Indianapolis shall contract with to process the monthly remittance reporting of all mortgage purchases.

Member

A member or associate of the Federal Home Loan Bank of Indianapolis (FHLBank Indianapolis).

MISMO

The Mortgage Industry Standards Maintenance Organization.

Mortgage

Residential mortgage loan sold to FHLBank Indianapolis by the Seller, evidenced by a Note and secured by a Security Instrument. Mortgages include such instruments of indebtedness and security, together with the evidence of title, chattel mortgage or security agreement, financing statement, and all other documents, instruments, and papers pertaining to the mortgage loan.

Mortgage Assumptions

The conveyance of the terms and balance of an existing mortgage to the purchaser of a financed property, commonly requiring that the assuming party be qualified under lender or guarantor guidelines.

Mortgage Documents

Mortgage documents include without limitation: Notes, Security Instruments, books, documents, files, papers, and other records and data relating to a mortgage, whether in Electronic Form or Physical Form and including any maintained in any Electronic System, database or in any data processing, storage, or retrieval system.

Mortgage Electronic Registration System (MERS)

An electronic registration system that eliminates the need for recorded assignments. Additional information can be found at www.mersinc.org.

Mortgage Insurance (MI)

Mortgage insurance issued as credit enhancement for the loan. The insurance provides loss protection for the investors in the case of a mortgage default. The MI may include Private Mortgage Insurance (PMI) and/or Supplemental Mortgage Insurance (SMI).

Mortgage Insurance Certificate

This document serves as evidence of an insurance policy which compensates lenders or investors for losses due to the default of a mortgage loan.

Mortgage Product

15, 20, or 30-year fixed rate, level payment, fully amortizing mortgages specifically described in [Section 5.1](#) of this Guide.

Mortgage Purchase Program (MPP)

Mortgage Purchase Program of FHLBank Indianapolis, as documented in this Guide.

Mortgaged Property

The property subject to a mortgage.

Mortgagee

The lien holder in a mortgage transaction.

Mortgagor

The obligor under a mortgage.

No Cash Out

The refinancing of an existing mortgage for an amount equal to or less than the existing outstanding loan balance plus an additional loan settlement cost.

Non-credit Losses

All losses on a mortgage that are not credit losses or non-insured credit losses.

Non-insured Credit Losses

Credit losses which are not covered by the Supplemental Mortgage Insurance (SMI) due to percentage or dollar limits on the coverage or the failure of a particular mortgage to be covered under the policy.

Non-QM loans

Loans that are not Qualified Mortgage (QM) compliant and may not receive protection from borrower Ability-to-Repay (ATR) damage claims or defenses.

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.

Note Rate

The Note Rate at which interest accrues on the Unpaid Principal Balance (UPB) of a mortgage in accordance with the provisions of the promissory note secured by such mortgage.

Note Rate Delivery Range

The range of Note Rates eligible to be delivered under a Mandatory Delivery Contract (MDC) and specified on the MDC.

Offer Price

The commitment specific price for mortgages established by FHLBank Indianapolis as of the pair-off date.

Org ID

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

Owner Occupied

A form of housing ownership where a person, called the owner-occupier, owner-occupant, or homeowner, owns the home in which he/she lives.

Pair-off Amount

The amount obtained by subtracting:

- a. The purchase variance from the MDC amount and
- b. The UPB of mortgages delivered and accepted for purchase by FHLBank Indianapolis.

Pair-off Date

The earlier of either:

- a. The date the Seller notifies FHLBank Indianapolis of the cancellation of the Mandatory Delivery Contract (MDC), or
- b. The date on which the MDC expires.

Pair-off Fee

The fee assessed for failure to deliver mortgages according to the terms of the Mandatory Delivery Contract (MDC).

Pass-through Rate

The Note Rate less the applicable servicing spread.

Pay Off Date

The date a loan is paid in full.

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.

Power of Attorney (POA)

A written instrument authorizing a person, the attorney-in-fact, to function as agent on behalf of another person to the extent indicated in the instrument.

Price Sheet

The price sheet of indicative purchase prices for the purchase of mortgages published by FHLBank Indianapolis as specified in [Section 3.3](#) of this Guide. Pricing is primarily available via the Loan Acquisition System (LAS).

Principal

The amount of indebtedness owed by a borrower.

Principal and Interest (P&I) Custodial Account

The account the Servicer deposits mortgage principal and interest payments into, specifically described in [Section 11.3](#) and [Section 11.3.2](#) of this Guide.

Private Mortgage Insurance (PMI)

Insurance coverage that homeowners are required to have if they are putting down less than 20% of the purchase price on a conventional loan.

Private Mortgage Insurance (PMI) Provider

The insurance company providing the Private Mortgage Insurance (PMI) on the loan.

Program Documents

FHLBank Indianapolis Guidelines, Master Agreement, Master Commitment Contract (MCC), Mandatory Delivery Contract (MDC), MPP Guide, *Document Custodian Manual*, and any amendments, bulletins, or agreements issued by FHLBank Indianapolis pertaining to MPP.

Property or Mortgaged Property

The property that is now or was formerly subject to a mortgage.

Purchase Agreement

An agreement entered into for a purchase transaction.

Purchase Price

The percentage set forth in a Mandatory Delivery Contract (MDC).

Purchase Proceeds

The dollar amount that FHLBank Indianapolis will pay to the Seller for the sale of mortgages as described in [Section 5.2](#).

Purchase Variance

The amount by which the aggregate Unpaid Principal Balance (UPB) of mortgages purchased pursuant to an applicable Mandatory Delivery Contract (MDC) may vary from the MDC amount. The purchase variance is the greater of 1.0% of the MDC amount or \$10,000.

Qualified Mortgage (QM)

Rule amending Regulation Z, which implements the Truth in Lending Act (TILA), generally requires creditors to “make reasonable, good faith determination of a consumer’s Ability-to-Repay (ATR) any consumer credit transaction secured by a dwelling.” QM puts a limit on Upfront Points and Fees; and limits on Debt-to-Income Ratios; No Toxic Loan Features.

Qualifying Indicator Score

The one credit score identified to represent the eligibility of the mortgage for purchase by MPP as further described in [Section 6.4.2](#) of this Guide.

Quality Control Contractor (QCC)

FHLBank Indianapolis may contract with an independent QCC to perform Quality Assurance (QA) reviews of the Seller’s mortgage sales to FHLBank Indianapolis and of the Seller’s mortgage operations, specifically provided in [Section 7.11](#) of this Guide.

Ratings Methodology

The methodology utilized by FHLBank Indianapolis to establish the amount of credit enhancement required for the mortgages to be delivered under the Master Commitment Contract (MCC).

Rebuttable Presumption Loans

Higher priced loans refer to a loan with an interest rate that is more than 1.5% higher than the current prime rate that meet the Qualified Mortgage (QM) requirements but will receive a lesser degree of protection from damage claims and defenses by borrowers.

Recertification

For a loan or group of loans, a certification following a transfer of Seller responsibility or of document custodian responsibility that the loan documents satisfy the requirements of the *Document Custodian Manual* (Appendix A).

Recording

The act of entering or recording documents effecting or conveying interests in real estate in the recorder's office established in each jurisdiction. Depending on jurisdictional law and/or practice, until recorded, a deed or mortgage is not generally effective against subsequent purchasers of mortgages.

Remittance Date

A Remittance Date is the day the monthly principal and interest are due. This date is the 15th or the 18th (for FHA or Conventional loans respectively) calendar day of each month or the next business day if the 15th or the 18th calendar day is not a business day.

Restructured Mortgage Loans

Any restructured loan for which the original transaction has been changed, resulting in absolute forgiveness of debt or a restructure of debt through either a modification of the original loan or origination of a new loan that results in any of the following, but not limited to:

- Forgiveness of a portion of principal and/or interest on either the first or second mortgage
- Application of a principal curtailment by or on behalf of the investor to simulate principal forgiveness
- Conversion of any portion of the original mortgage debt to a *soft* subordinate mortgage
- Conversion of any portion of the original mortgage debt from secured to unsecured

Rider

A document attached to a Note or Security Instrument amending the document after its proper body cannot be amended and restated.

Safe Harbor Loans

Lower priced loans that meet regulatory requirements specified for Qualified Mortgage (QM) Safe Harbor Loans will be protected from damage claims and defenses by borrowers based on a failure to meet Ability-to-Repay (ATR) requirements.

Schedule of Mortgages

Specifies details of loans that have been delivered into a Mandatory Delivery Contract (MDC). The Schedule of Mortgages is created in and printed from the Loan Acquisition System (LAS) and is based on data provided by the Seller.

Scheduled Interest

The interest due to FHLBank Indianapolis each calendar month under each mortgage as computed as 1/12th of the Pass-Through Rate payable on the mortgage, multiplied by the beginning scheduled balance of the mortgage on the cut-off date prior to the calendar month in which the interest payment on the mortgage is due.

For Remittance, the interest reported each calendar month under each mortgage as computed as one-twelfth of the Note Rate payable on the mortgage, multiplied by the beginning scheduled balance of the mortgage on the cut-off date prior to the calendar month in which the interest payment on the mortgage is due.

Scheduled Principal

The scheduled amount of principal due on the mortgage on the first day of the calendar month in which the principal payment on the mortgage is due.

Security Deed

A conveyance constructed as a deed transferring title, not as a mortgage, which is intended to collateralize the payment of all sums secured thereby.

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.

Self-Custody

Self-Custody is when the Seller also acts as the Document Custodian.

Seller

The member approved by FHLBank Indianapolis for MPP and acting in the capacity of Seller of mortgages to FHLBank Indianapolis.

Servicer

The entity who owns the servicing rights for a particular loan or pool of loans and who bears the responsibility of servicing the loan for the borrower and the investor.

Servicing

The duties of a Servicer to service mortgages specifically provided in [Section 10](#) and [Section 14](#), and various areas in this Guide, and in the other Program Documents.

Servicing Fee

The dollar amount that is retained by the Servicer in exchange for performing servicing functions. The monthly servicing fee is computed by multiplying 1/12th of the servicing spread by the Unpaid Principal Balance (UPB).

Servicing Questionnaire

A Seller applying to become a Servicer for MPP must complete a Servicing Questionnaire. The questionnaire is reviewed and approved by FHLBank Indianapolis as part of the application to MPP.

Servicing Spread

The servicing spread is specified in the applicable Master Commitment Contract (MCC) and the Mandatory Delivery Contract (MDC) and represents the compensation payable to the Servicer for the performance of its duties under this Guide.

Settlement Date

The date upon which FHLBank Indianapolis pays the Purchase Proceeds for mortgages pursuant to the applicable Mandatory Delivery Contract (MDC).

Soft Second

A loan whose repayment is forgiven or fully deferred until resale. No interest accrual is allowed during the deferral period.

Spread Lender Risk Account (LRA)

The sum of the Spread LRA fee maintained for a period of time subject to release to the Seller under terms specified in the Master Commitment Contract (MCC) on any mortgage loan.

Spread Lender Risk Account (LRA) Fee

The portion of the monthly payment applied as a contribution to the LRA as detailed by the terms of the MCC.

Standard Mortgage Insurance (MI) Level

As referenced in [Section 6.6](#) of this Guide, Standard MI Level is mortgage insurance at the level required by FHLBank Indianapolis at the time of the mortgage delivery, in accordance with this Guide.

Subservicer

An outside company/servicer hired by a Servicer to collect mortgage payments.

Successor Document Custodian

The Document Custodian that receives required loan documents when there is an FHLBank Indianapolis - approved change in custodial responsibilities.

Supplemental Mortgage Insurance (SMI)

Supplemental Mortgage Insurance also commonly referred to as pool insurance. The SMI policy provides mortgage insurance on all loans in a given pool or Master Commitment Contract (MCC).

Supplemental Mortgage Insurance (SMI) Provider

The insurance company providing Supplemental Mortgage Insurance (SMI) on the Master Commitment Contract (MCC).

Third-Party Mortgage Originator (TPO)

A person or company involved in the process of marketing mortgages and gathering borrower information for a mortgage application. This information is then transferred or sold to the actual mortgage lender being a Participating Financial Institution (PFI).

TILA-RESPA Integrated Disclosure (TRID) rule

Consolidates four existing disclosures required under TILA and RESPA for closed-end credit transactions secured by real property into two forms: a Loan Estimate that must be delivered or placed in the mail no later than the third business day after receiving the consumer's application, and a Closing Disclosure that must be provided to the consumer at least three business days prior to consummation.

Title Commitment/Policy

Insurance against loss resulting from defects in the title to real estate.

TransUnion

TransUnion is one of the three major reporting credit bureaus. Using a variety of credit scoring algorithms, TransUnion offers an EMPIRICA[®] score.

Trust

A fiduciary relationship whereby legal title to property is conveyed to a person or institution, called a trustee, to be held and administered on behalf of another party, called a beneficiary, which holds equitable title to such property.

Trustee

Any person who holds property, authority, or a position of trust or responsibility for the benefit of another, and also is allowed to do certain tasks but not able to gain income.

Truth-in-Lending (TIL)

A disclosure that provides information to consumers about the costs of credit. The Truth-in-Lending Act (TILA) requires borrowers receive a TIL disclosure twice: an initial TIL disclosure when borrowers apply for a mortgage loan, and a final TIL disclosure before closing. The TIL form includes information about the cost of the mortgage loan including annual percentage rate (APR).

UETA

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

Uniform Appraisal Dataset (UAD)

A standard of common requirements for appraisal and loan delivery data.

Uniform Residential Appraisal Report (URAR)

Available through both Fannie Mae and Freddie Mac, this form is used for a one-unit property (including an individual unit in a PUD project and an individual unit in a detached condominium project) based upon an interior and exterior property inspection.

Unpaid Principal Balance (UPB)

The remaining unpaid principal balance of a mortgage as of a particular date.

Usury

The act of lending money at an interest rate that is considered unreasonably high or that is higher than the rate permitted by law.

Verification of Deposit (VOD)

The lender uses this form for applications for conventional first or second mortgages to verify the cash deposits that the applicant listed on the loan application.

Verification of Employment (VOE)

The lender uses this form for applications for conventional first or second mortgages to verify the applicant's past and present employment status.

Vertical Independence

The person with hiring, supervising, and compensation authority over employees of the Seller performing mortgage origination, selling, or servicing functions are different from the persons having similar authority over the employees of the Seller exercising its Document Custodian functions.

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.

Whole Loans

A single residential or commercial mortgage that a lender has issued to a borrower and that has not been included in a Security.

Zoning

The control by authority of the use of land, and of the buildings thereon. Areas of land are divided by appropriate authorities into zones within which various uses are permitted.

2. Eligibility Determination

2.1 Seller Eligibility Requirements

The following requirements must be met to be eligible as a Seller:

1. FHLBank Indianapolis Membership

The Seller must be a member of the Federal Home Loan Bank of Indianapolis (FHLBank Indianapolis).

2. Application

The member must complete the application as required in this *MPP Guide*.

3. Sound Financial Condition

The member will be subject to evaluation of financial condition.

4. Experience

The member must be an active originator of conventional mortgages or demonstrate the ability to become an originator of conventional mortgages. The Servicer must have Mortgage Backed Securities (MBS) style Scheduled/Scheduled or Actual/Actual reporting capabilities (electronic format), as applicable.

5. Facilities

The member must have adequate facilities with which to originate and service mortgages, as applicable.

6. Selling and Servicing Standards

Once approved, the member must be able to follow the Master Agreement, FHLBank Indianapolis Guidelines, this MPP Guide, and all other Program Documents with respect to originating, selling, and servicing mortgages.

7. Quality Assurance

The member must have a Quality Assurance (QA) program that conforms to the requirements below:

1. The QA program must enable the Seller and FHLBank Indianapolis to determine whether the Seller's mortgage loan origination, underwriting, closing, delivery, and servicing procedures meet all FHLBank Indianapolis requirements. Full QA requirements are outlined in [Section 7](#).
2. The Seller must submit QA reports to FHLBank Indianapolis, or the Quality Control Contractor (QCC) as requested by FHLBank Indianapolis.
3. Upon discovery of any discrepancies or defects through its QA program, the Seller must notify FHLBank Indianapolis in writing of such discrepancies or defects within 30 days.
4. If the Seller wishes to obtain approval in accordance with [Section 4.1](#) of this Guide to sell mortgages originated by a third party to FHLBank Indianapolis, the Seller must also:
 - a. Make all of the representations, warranties, and covenants as set forth in this Guide to the same extent as if the Seller were the originator of the mortgages, and
 - b. Own the third-party originated mortgages as of the date such mortgages are delivered to FHLBank Indianapolis for purchase.

5. In addition to any requested QA reports, the Seller must provide FHLBank Indianapolis, upon its request, with any explanations of the reports submitted to the Seller's senior management.

8. Capital Requirements

The member and the member's parent corporation, if any, must meet the capital requirements of each state and federal regulatory agency with jurisdiction over any of the member's or parent corporation's activities (as applicable).

9. Legal Standing

1. The member must be duly organized, validly existing, and in good standing under the laws of the jurisdiction of its organization; it must be qualified to transact business and be properly licensed in each jurisdiction where it originates or services mortgages.
2. The member must be in good standing with all applicable regulatory authorities and not be subject to any extraordinary supervision of its operations.
3. The member must have the power and authority to enter into the Master Agreement, MCC, MDC, the Custodial Agreement, and any other Program Documents.
4. The member's compliance with the terms and conditions of the Program Documents, including the terms and conditions of this Guide, must not violate any of the provisions of its Articles of Incorporation, Charter, By-Laws, or any other instrument relating to the conduct of the member's business, the ownership of its property, or any other agreement to which it is a party or by which it is bound.

10. Insurance

The member must have a Fidelity Bond and Mortgage Errors and Omissions Insurance Policy that meets the following requirements:

1. The Seller is responsible for maintaining, at its sole cost and expense, blanket fidelity and errors and omissions insurance coverage in the amounts specified below.
2. If at any time coverage expires or there is a change in coverage, the Seller must immediately deliver evidence of the new or modified coverage to FHLBank Indianapolis.
3. Minimum Amount of Coverage Required:
 - a. The minimum amount of Fidelity and Mortgage Errors and Omissions (E&O) coverage is based on the higher of:
 - i. The aggregate principal balance of the Seller's mortgage servicing portfolio, including residential and commercial mortgage loans or
 - ii. The aggregate principal balance of all residential and commercial loans sold by the Seller on a servicing-released basis during the immediately preceding 12 months.

The maximum amount of fidelity bond coverage required is \$150 million.

- b. The amount determined pursuant to the preceding sentence is the Base Amount.
- c. The requisite amount of fidelity coverage is determined in accordance with the following schedule:

Base Amount	Minimum Coverage Required
\$100 million or less	\$300,000
More than \$100 million, but not more than \$500 million	\$300,000 +0.15% of base over \$100 million
More than \$500 million, but not more than \$1 billion	\$300,000 +0.15% of \$400 million (i.e., \$600,000) +0.125% of base over \$500 million
Over \$1 billion	\$300,000 +0.15% of \$400 million (i.e., \$600,000) +0.125% of \$500 million (i.e., \$625,000) +0.1% of base over \$1 billion

- d. The Seller's mortgage E&O coverage must be maintained at a minimum limit equal to the higher of:
- i. \$300,000 or
 - ii. 20% of the fidelity coverage required in the table above.

The maximum amount of E&O coverage required is \$30 million.

- e. The required insurance must be written by an insurance carrier with an A.M. Best's rating of B+ or better. The carrier must be specifically licensed or authorized by law to transact business within the states or territories where the properties are located. Lloyds of London, although not rated, is an acceptable insurer.
 - f. The amount of coverage required for a direct surety bond covering officers not included in the Seller's Fidelity Bond coverage is calculated pursuant to the preceding schedule except that the base amount is the aggregate Unpaid Principal Balance (UPB) of mortgages serviced by the Seller.
4. Scope of Coverage
- a. The Fidelity Bond and Mortgage E&O coverage must insure the Seller against losses resulting from dishonest or fraudulent acts committed by the Seller's personnel including any employees of outside firms that provide data processing services for the Seller and temporary contract employees or student interns.

- b. The Fidelity Bond coverage must also protect FHLBank Indianapolis against dishonest or fraudulent acts by the Seller's principal owner.
 - c. In addition to dishonesty and fraud, the E&O policy must protect the Seller against negligence, errors, and omissions in:
 - i. maintaining hazard and flood insurance that meets the requirements of this Guide
 - ii. maintaining mortgage insurance
 - iii. determining whether mortgaged properties are located in special flood hazard areas
 - iv. paying real estate taxes and any special assessments
 - v. complying with FHLBank Indianapolis reporting requirements
 - d. Each Fidelity Bond and Mortgage E&O Insurance Policy must satisfy the following requirements:
 - i. FHLBank Indianapolis must be named as a loss payee on drafts the insurer issues to pay for covered losses FHLBank Indianapolis incurs.
 - ii. FHLBank Indianapolis must have the right to file a claim directly with the insurer if the Seller fails to file a claim for a covered loss that FHLBank Indianapolis incurs.
 - iii. FHLBank Indianapolis must be notified at least 10 days before the insurer cancels, reduces, declines to renew, or imposes a restrictive modification to the Seller's coverage for any reason.
5. Deductible
- a. The deductible under any Mortgage E&O Insurance Policy may be no greater than 5% of the loss per occurrence.
 - b. The deductible for fidelity and direct surety coverage may be no more than the greater of \$100,000 or 5% of the face amount of the bond.

6. Document Custodian Eligibility

The Document Custodian must meet the insurance requirements specified in the *Document Custodian Manual* (Appendix A).

11. eNotes

To be eligible to sell eNotes to FHLBank Indianapolis under the MPP Program, a Seller must be separately approved in writing by FHLBank Indianapolis, 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.

2.1.1 Compliance Reporting Requirements

- 1. The Seller must deliver copies of its internal QA reports to FHLBank Indianapolis or the QCC as requested by FHLBank Indianapolis.

2. The Seller must deliver copies of any audit reports issued by governmental agencies such as HUD, Fannie Mae, Freddie Mac, or any other FHLBank mortgage purchase program regarding the Seller to FHLBank Indianapolis within 15 days of the Seller's receipt of such reports.
3. If any disciplinary action is taken by any such agency, including suspension or termination of the Seller's servicing, or selling rights, the Seller must notify FHLBank Indianapolis within three business days of such action.

2.1.2 Secured Obligations

1. All of the obligations of the Seller under this Guide, the Master Agreement, any MCCs, any MDCs, and any other Program Documents shall be deemed to be *obligations* as such term is used in the Advances, Pledge, and Security Agreement between the Seller and FHLBank Indianapolis.
2. The Advances, Pledge, and Security Agreement secures the payment and performance of all obligations as specifically described in the Advances, Pledge, and Security Agreement.

2.1.3 Lender Risk Account

1. The Seller directly bears the responsibility for expected losses on the mortgages sold to FHLBank Indianapolis under an MCC. This is accomplished through the Lender Risk Account (LRA) and may be either a fixed LRA or a spread LRA.
2. Funds in both the fixed LRA and spread LRA will be retained by FHLBank Indianapolis for a fixed period of time as specified in the MCC. Funds in excess of the scheduled retention amount will be released to the PFI unless there are defaulted loans (as defined in [Section 16.1](#)) in the pertaining MCC or aggregated pool of MCCs, in which case the releasable funds will be withheld until the defaulted loans are resolved.
3. For fixed LRAs, an administrative fee may be assessed in an amount as specified in the individual MCC based on the LRA release amount and shall be deducted prior to the annual LRA disbursement as outlined in the MCC.

2.2 Continuing Eligibility

1. Any member approved for participation in MPP must continue to meet the requirements listed in [Section 2.3](#) of this Guide, all other requirements in this Guide, and other Program Documents in order to maintain its eligibility.
2. If a Seller fails to maintain its eligibility, it must notify FHLBank Indianapolis. If a Seller reports to FHLBank Indianapolis that it has failed to maintain its eligibility, or if FHLBank Indianapolis determines that the Seller has failed to maintain its eligibility, FHLBank Indianapolis may decline to enter into any further MCCs or MDCs with such Seller.
3. Sellers will be subject to review on a periodic basis to ensure compliance with the Master Agreement, FHLBank Indianapolis Guidelines, this Guide, all other Program Documents, and established policies of FHLBank Indianapolis's Board of Directors to ensure maintenance of a satisfactory financial condition as determined by FHLBank Indianapolis. If a Seller does not sell loans for a period in excess of 12 months, an update to this application process will be required.

4. Sellers must maintain industry standard mortgage servicing practices for all outstanding mortgages with delinquency rates that do not exceed the thresholds specified in [Section 16.2](#) of this Guide. Requests by a Seller to enter into new MCCs or MDCs may be limited or denied if the delinquency rates exceed those thresholds.
5. At all times, the Seller must service the mortgages in accordance with the requirements of the Master Agreement, FHLBank Indianapolis Guidelines, this Guide, and all other Program Documents. The Seller may:
 - a. Subcontract with third parties for the performance of its servicing obligations only as provided in [Section 8](#) and [Section 10.2.7](#) hereof, or
 - b. Assign its servicing rights pursuant to [Section 8](#).
6. 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.

2.2.1 Notification of Changes

The Seller must send FHLBank Indianapolis written notice of any contemplated significant changes in its organization, including with its notice copies of any filings with, or approvals from, its regulators.

2.2.1.1 Changes to Corporate Authority

If the Seller revokes in whole or in part any authority set forth in a certified Corporate Resolution delivered to FHLBank Indianapolis in accordance with [Section 2.3.1](#) of this Guide, the Seller must immediately deliver to *FHLBank Indianapolis* a completed Loan Acquisition System (LAS) request for User ID and Password form requesting deletion of the user's LAS user ID followed by an updated certified Corporate Resolution, as applicable. FHLBank Indianapolis shall not be bound by any such revocation until it receives such replacement documentation.

2.2.1.2 Other significant changes

FHLBank Indianapolis requires written notice of, among other things, and without limitation, the following significant changes relating to the Seller:

1. The Seller must immediately notify FHLBank Indianapolis of each pending adverse Government Sponsored Enterprise (GSE) or other FHLBank action that affects the Seller, including any letter of reprimand, probation, suspension, withdrawal of Seller/Servicer approval, or fine.
2. The Seller also must disclose to FHLBank Indianapolis immediately if it or any of its principals become the subject of any proceedings for government debarment or HUD, Fannie Mae, Freddie Mac, or other FHLBank program exclusion.
3. Any mergers, consolidations or reorganizations.
4. Any direct or indirect substantial change in ownership (an indirect change in ownership includes any change in the ownership of the Seller's parent, any owner of the parent, or any beneficial owner of the Seller that does not own a direct interest in the Seller).

5. Any change in corporate name.
6. Any change from a federal charter to a state charter (or vice versa).
7. A significant change in financial condition.
8. The sale of all, or substantially all, of the Seller's assets or a line of business.

If the Seller fails to perform its obligations under this section ([Section 2.2.1.2](#)), FHLBank Indianapolis may terminate any obligation that FHLBank Indianapolis may have under the Master Agreement or MCC.

2.2.2 Periodic Eligibility Review

The Seller must make available the following documentation as requested by FHLBank Indianapolis:

1. Annually, the Seller must make available its most recent financial statements (if available) to FHLBank Indianapolis, and, if the Seller has a parent corporation, the Seller must also deliver the parent corporation's most recent financial statements.
2. The Seller must make available a report summarizing its overall delinquency statistics for the prior year to FHLBank Indianapolis.
3. The Seller or its assigned Servicer or Subservicer will undergo periodic servicing audits performed by FHLBank Indianapolis' QCC.
4. The Seller or its assigned Document Custodian will undergo periodic document custodial audits performed by FHLBank Indianapolis' QCC or FHLBank Indianapolis staff.
5. The Seller must provide other documentation as may be necessary to satisfy FHLBank Indianapolis that the Seller meets, and will continue to meet, the eligibility requirements of this Guide.

2.3 Documentation Requirements

To be a Seller in FHLBank Indianapolis's MPP, each member must complete and submit the following to FHLBank Indianapolis unless otherwise waived:

1. Complete MPP Application.
2. QA procedures for conventional mortgages.
3. QA procedures for Federal Housing Administration (FHA) mortgages (if the member is applying to sell FHA loans to FHLBank Indianapolis).
4. Certificate of Insurance for each of the member's Fidelity Bond and Mortgage E&O insurance policies.
5. Servicing Questionnaire, if applicable.
6. Organizational chart showing the member and all affiliate relationships.
7. Resumes of key personnel who oversee the following functions:

- Production
- Secondary Market
- Quality Assurance
- Mortgage Loan Servicing
- Underwriting
- Investor Delivery
- Mortgage Loan Accounting

8. Electronic file of a sample loan portfolio representing loans that would be submitted to FHLBank Indianapolis for purchase under the member's MCC (if the member desires an MCC customized to their book of business).
9. Other information as may be requested by FHLBank Indianapolis.

2.3.1 Additional Required Documents

A duly authorized officer of the member must execute and submit the following documents, correct, and complete in all material respects, to FHLBank Indianapolis:

1. Corporate Resolution(s)
 - A copy of a corporate resolution in a form acceptable to FHLBank Indianapolis and, as applicable, an original, corporate resolution regarding change of name.
2. Master Agreement
3. Master Commitment Contract (MCC)
4. Custodial Agreement(s), as applicable
5. Consent and acknowledgement of servicing transfer, as applicable
6. Advances, Pledge, and Security Agreement, if not already on file at FHLBank Indianapolis
7. Representation and Warranty Agreement for acquired member assets

3. Commitment Process

3.1 Seller Approval Procedure

After a Seller is approved, in order to participate in MPP, a Master Agreement must be executed and, pursuant to the Master Agreement, also a Master Commitment Contract (MCC).

3.2 Program Documentation

3.2.1 Master Agreement

The Seller must execute the Master Agreement as provided by FHLBank Indianapolis.

3.2.2 Master Commitment Contract (MCC)

Pursuant to the Master Agreement, the Seller must execute an MCC, as provided by FHLBank Indianapolis. This contract establishes a best efforts agreement between FHLBank Indianapolis and the Seller for the Seller to sell mortgages to FHLBank Indianapolis. The MCC details the expected composition of the portfolio to be sold to FHLBank Indianapolis. This contract also includes the LRA rate (fixed or spread) and Supplemental Mortgage Insurance (SMI) rate, if any, for the mortgages to be sold.

3.2.3 Mandatory Delivery Contract (MDC)

1. Pursuant to the Master Agreement and the MCC, the Seller must execute an electronic transaction using the Loan Acquisition System (LAS) of FHLBank Indianapolis in order to enter into an MDC. The MDC shall establish the following contract terms:
 - Contract commitment amount
 - Type of mortgage product
 - Note Rate delivery range (in 1/8% increments)
 - Purchase prices
 - Servicing spread
 - Delivery period deadline
2. The Seller's offer to sell mortgages incorporating the contract terms identified above and the FHLBank Indianapolis agreement to purchase such mortgages at the applicable purchase prices established and accepted by FHLBank Indianapolis establishes the MDC.

3.3 Obtaining Prices

1. Each bond market business day, at 9:30 a.m. Eastern (EST) time, indicative pricing will be available to the Seller on FHLBank Indianapolis' LAS.
2. The indicative purchase prices will be quoted for mortgages with 15-, 20-, or 30 -year terms to maturity.
3. For each Settlement Date, the indicative purchase prices will be quoted for eligible Note Rates in 1/8% increments.
4. The Seller may select a range of Note Rates for delivery under an MDC. The range parameters will be specified by FHLBank Indianapolis on the MDC.
5. FHLBank Indianapolis may change indicative purchase prices and range parameters, or suspend accepting MDCs at any time, at its sole discretion.

3.3.1 Hours during Which Contracts May Be Obtained

Purchase prices will generally be established at 9:30 a.m. Eastern (EST) time each bond market business day. MDCs for the sale of mortgages to FHLBank Indianapolis may be obtained during normal trading hours each bond market business day, or such other time as determined by FHLBank Indianapolis, at its sole discretion.

3.4 Delivery Contract

3.4.1 Required Documentation

1. The following information must be provided by the Seller to FHLBank Indianapolis at the time each MDC is entered into. This information is provided to and verified through LAS:
 - a. MCC Number
 - b. Username and password information, which is tied to the Authorized Seller Representative's name, title, and telephone number in LAS
 - c. Mortgage product
 - d. Delivery period
 - e. Contract commitment amount
 - f. Note Rate range

3.4.2 Mandatory Delivery Requirements

1. Prior to the Settlement Date, the Seller must electronically deliver to FHLBank Indianapolis mortgages that meet the requirements of the MCC, the MDC, this Guide, and documentation criteria in effect at the time the MDC was established.
2. The Seller must ensure that the mortgages are originated far enough in advance of the Settlement Date to permit any document corrections which may be necessary prior to FHLBank

Indianapolis' purchase of the mortgages or, if allowed by FHLBank Indianapolis, substitution for any defective mortgages.

3. The aggregate UPB of such mortgages delivered for purchase by FHLBank Indianapolis may not vary from the contract commitment amount by more than the purchase variance, i.e., the greater of 1.0% of the contract commitment amount or \$10,000.
4. FHLBank Indianapolis reserves the right to extend or pair off any MDC not certified and delivered the day before the Settlement Date.

3.4.3 Defective Delivery

1. The Seller may obtain a Settlement Date extension as provided in [Section 3.4.4](#) of this Guide. If the Seller fails to deliver mortgages to FHLBank Indianapolis as and when required by the terms of the MDC and has not obtained an MDC extension, the Seller may pay a pair-off fee as provided in [Section 3.4.6](#) of this Guide.
2. If any mortgage received by FHLBank Indianapolis in connection with an MDC is not in purchasable form or does not conform to the MDC requirements, the mortgage will be deemed not to have been delivered for purposes of satisfying the Seller's obligations under the MDC. FHLBank Indianapolis may, at its sole and absolute discretion, reject any mortgage for purchase for any reason including, but not limited to the following:
 - a. The mortgage is a defective mortgage
 - b. Failure of the mortgage to satisfy all FHLBank Indianapolis Guidelines
 - c. Suspected fraud in the origination of the mortgage
 - d. A breach of any other representation, warranty, or covenant made with respect to the mortgage as stated in the Program Documents.
3. If the defects which cause the mortgage not to be purchasable are not cured on or before the applicable Settlement Date, the Seller may elect one of the following options:
 - a. Decrease the purchase proceeds, request extension of the Settlement Date, or cure the defects on or before the extended Settlement Date, all in accordance with [Section 3.4.4](#) of this Guide.
 - b. Pay a pair-off fee as provided in [Section 3.4.6](#) of this Guide.
 - c. Replace defective loan with a Mortgage loan that meets the terms of MDC.

3.4.4 Settlement Date Extension

1. The Seller may extend, at the option of FHLBank Indianapolis, the Settlement Date for an active MDC once the Seller has determined that it will not be able to deliver the mortgages necessary to satisfy the MDC before the applicable Settlement Date.
2. Extensions may be requested before the applicable Settlement Date by contacting FHLBank Indianapolis.
3. If an extension is granted, the purchase price, as established in the MDC, may be adjusted based upon current prices, except in the following circumstance:

If at the time the Seller requests an extension, FHLBank Indianapolis is no longer publishing a price for mortgages having a Note Rate the same as the Note Rate of mortgages provided in the MDC, the purchase price shall be the lower of:

- a. an offer price calculated by FHLBank Indianapolis with reference to the prices and rates that it is publishing in accordance with [Section 3.3](#) of this Guide for mortgages with the same characteristics on the bond market business day that Seller requests extension of the Settlement Date that results in the same yield to FHLBank Indianapolis as the purchase price initially established in the applicable MDC or
- b. the purchase price initially established in the applicable MDC reduced based upon current market prices.

Confirmation of the extension will be transmitted via email to the Seller.

4. FHLBank Indianapolis shall not be required to purchase mortgages not delivered prior to the Settlement Date; however, the Seller may pay FHLBank Indianapolis a pair-off fee as provided in [Section 3.4.6](#) of this Guide.

3.4.5 Mandatory Delivery Contract Cancellation

1. Prior to the delivery of all of the mortgages that the Seller is required to sell under an MDC, the Seller may cancel an MDC by contacting FHLBank Indianapolis and indicating the specific reasons for cancellation.
2. FHLBank Indianapolis will calculate a pair-off fee based upon the amount of the MDC that is not filled.

3.4.6 Pair-off Fees

1. The Seller may pay FHLBank Indianapolis a pair-off fee if the sum of the aggregate UPB of the mortgages delivered for sale to FHLBank Indianapolis prior to the Settlement Date is less than the sum of the aggregate UPB of mortgages required to be delivered to FHLBank Indianapolis under the applicable MDC, less the amount equal to the purchase variance under the applicable MDC.
2. A mortgage received by FHLBank Indianapolis will not be deemed to be delivered to FHLBank Indianapolis for purposes of this Guide if the mortgage meets any of the following conditions:
 - a. Not in purchasable form
 - b. Defective mortgage
 - c. Does not satisfy the terms or other requirements of the applicable MDC, this Guide, or any other Program Documents
 - d. Suspected of fraud in its origination
 - e. In breach of any representation, warranty, or covenant made with respect to the mortgage as stated in the Program Documents.
3. The pair-off date for an MDC is the earlier of:
 - a. Date of notification from Seller of MDC cancellation

- b. MDC Expiration Date
4. The pair-off fee shall be debited from the Seller’s Cash Management Services (CMS) account on the applicable Settlement Date.
 5. Pair-off Fee Calculation example:

Pair-Off Fee Calculation	Pair-Off Fee
Lowest MDC Note Rate, current 7 day offer price	101.95784%
Pair-Off Adjustment (add 1/32)	0.03125%
Adjusted Pair-Off Price	101.98909%
Original MDC Amount	\$256,000.00
Variance allowance	\$10,000.00
Settlement balance of loans delivered	\$181,000.00
Amount to be paired-off (original amount – variance – loans delivered)	\$65,000.00
Lowest MDC Note Rate, price at Commitment	101.35761%
Price difference (adjusted Pair-Off Price – Commitment Price)	0.63148%
Pair-Off Fee due (Amount to be paired-off multiplied by the price difference)	\$410.46

3.4.7 Increasing the MDC Amount

The Seller may request an MDC increase to accommodate a loan change or loan substitution. FHLBank Indianapolis reserves the right to assess fees or impose price adjustments based on current market prices if the request is allowed.

4. Sale Requirements

4.1 General

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 FHLBank Indianapolis 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 FHLBank Indianapolis, the Seller must establish required custodial relationships and provide detailed loan data to FHLBank Indianapolis through LAS.

3. Third-Party Acquisitions

If the Seller sells mortgages to FHLBank Indianapolis 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 FHLBank Indianapolis for purchase.
- c. Meet all requirements for third-party originated mortgages.

4.2 Underwriting

1. The Seller will be given delegated underwriting authority and will not be required to submit credit and loan documentation packages to FHLBank Indianapolis prior to purchase.
2. Mortgages must be underwritten in accordance with this Guide or the applicable GSE Guidelines to the extent set forth in [Section 6](#) of this Guide.

4.3 Loan Data Transmission to FHLBank Indianapolis

1. The Seller must electronically transmit loan data related to the mortgages delivered under an MDC to FHLBank Indianapolis via LAS prior to the Settlement Date.
2. The Seller shall provide transmitted loan data that includes the data fields and format specified by FHLBank Indianapolis, as such format may be amended from time to time.

4.4 Custodial Accounts

1. The Seller must establish separate custodial accounts with a Funds Custodian to hold Principal and Interest (P&I) funds and escrow payments for the mortgages.
2. The Seller or an affiliate of the Seller may function as the Funds Custodian provided it meets the applicable eligibility requirements specified by FHLBank Indianapolis as provided in [Section 11](#) of this Guide.
3. Each Funds Custodian must execute a P&I Custodial Agreement and an Escrow Custodial Agreement.

4.4.1 Custody File

The Document Custodian is responsible for the reviewing, certifying, and storing the Custody file:

1. The Seller must have a Document Custodian that has entered into a custodial agreement with FHLBank Indianapolis and is qualified.
2. The Seller shall deliver each Custody File to the Document Custodian. The Custody File must include:
 - a. Note
 - i. Physical Form – the original Note bearing the complete chain of endorsements from the originator to Seller and further endorsed “pay to the order of _____, without recourse” and the blank line in the endorsement should remain blank (no name filled in). The endorsement should be signed below on behalf of the Seller by an authorized representative (authorized by the Seller’s corporate resolution).
 - ii. eNote – an electronic copy of the eNote and designations in this eRegistry reflecting:
 1. The document custodian as ‘Location’ (signifying the location of the Authoritative Copy
 2. The Federal Home Loan Bank of Indianapolis (Org ID 1001347) as ‘Controller.’
 3. The document custodian as the ‘Delegatee for Transfer.’
 - b. Security Instrument – copy of the Security Instrument, signed by the mortgagor, that was recorded or sent for recording.
 - c. Assignment – an original Assignment of the Security Instrument to Federal Home Loan Bank of Indianapolis in recordable form but unrecorded (not required for mortgages on MERS). Copies of any interim Assignments of the Security Instrument that were recorded or sent for recording, as applicable, such as when the Seller did not originate the Mortgage or if the Mortgage has been assigned to MERS.

- d. The originals of any assumption, modifications, consolidation, subordination, or extension agreements, with evidence of recording thereon, or copies thereof certified by seller, if any.
 - e. Power of Attorney (POA) if applicable – copy that was sent for recording.
 - f. Title Insurance Policy
 - i. Original or copy of the mortgage insurance title policy showing the policy number, or
 - ii. The attorney’s opinion of title.
3. The Document Custodian shall review the custody files against the Schedule of Mortgages prepared and delivered by the Seller as part of an MDC as more particularly described in the Document Custodian Manual.
 4. The Document Custodian shall certify to FHLBank Indianapolis that the Custody Files accurately represent the mortgages described in the applicable Schedule of Mortgages and are in the Document Custodian’s control. An Initial Certification will be performed by the Document Custodian on or before the applicable Settlement Date.
 5. The Document Custodian shall maintain control of the Custody File at all times while the mortgage is owned by FHLBank Indianapolis.
 6. The Seller or an affiliate of the Seller may function as the Document Custodian provided it meets the eligibility requirements and provided that it is approved as such by FHLBank Indianapolis.

4.4.2 Certification

The Seller shall deliver to the Document Custodian by the applicable date all documents required by Appendix A for inclusion in a Custody File for each mortgage. Upon receipt and following review of all Custody Files, the Document Custodian will make the following certification:

1. Initial certification

On or before the applicable Settlement Date, the Document Custodian shall certify that the Custody File contains all the documents required for Initial Certification as outlined in Appendix A.

2. Document Custodian Certification Process

In accordance with the Custodial Agreement and the *Document Custodian Manual*, the Document Custodian must review and examine all documents that the Seller delivers to ensure that all required documentation is received and conforms to FHLBank Indianapolis requirements.

If the documentation is complete and acceptable as required for Initial Certification, the Document Custodian shall certify the documentation in LAS or provide the applicable Certification Form (Exhibit A of the Custodial Agreement) for Initial Certification.

4.5 Settlement with FHLBank Indianapolis

1. Following Initial Certification, the Funding Schedule will be available in LAS.
2. On the Settlement Date, FHLBank Indianapolis will purchase a 100% ownership interest in each mortgage transmitted to FHLBank Indianapolis and listed on the Funding Schedule.

3. FHLBank Indianapolis will pay the purchase proceeds for the mortgages on the applicable Settlement Date by crediting the Seller's CMS account.
4. Unless otherwise provided for in [Section 8](#) or [Section 10](#) of this Guide or other Program Documents, the Seller will retain the servicing responsibility for the mortgages while the mortgages are owned by FHLBank Indianapolis.
5. Pursuant to [Section 19](#), where a third-party's participation interest has been notified to the Seller via an MCC, MDC, or separately, the settlement contemplated by this section ([Section 4.5](#)) shall be deemed to take effect as a sale by the Seller, and a purchase by each of FHLBank Indianapolis and such third party or third parties (for these purposes, the participants), of a participation interest in each mortgage listed on the Funding Schedule in the percentages so notified to the Seller. Alternately, FHLBank Indianapolis may purchase a 100% ownership interest in mortgages and thereafter transfer participation interests in such mortgages to one or more third parties in accordance with Section 19.

The sum of all participation interest percentages in each mortgage will be 100%. The Seller shall also be deemed to have assigned the bare legal title to each such mortgage to FHLBank Indianapolis for itself and on behalf of each other participant in accordance with their respective interests, automatically and immediately after the sale of such participations.

For all purposes of the Master Agreement, where such a sale and purchase of participations has occurred, the Seller shall continue to conduct business with FHLBank Indianapolis, however all rights of FHLBank Indianapolis will be held by it for the benefit of FHLBank Indianapolis and each other participant in accordance with their respective interests.

5. Mortgage Purchase

5.1 Mortgage Criteria

1. FHLBank Indianapolis will purchase mortgages underwritten to this Guide as specified in [Section 6](#) subject to the limitations specified in this section ([Section 5.1](#)) and the applicable MCC.
2. **Mortgage Amount**

FHLBank Indianapolis will purchase conventional mortgages, the maximum original principal amounts of which do not exceed the standard maximum original principal amount allowed by GSEs for the area in which the property is located.
3. **Mortgage Term**

The maximum mortgage term is 30 years beyond the date of the first monthly payment. The minimum mortgage term is five years.
4. **Loan to Value (LTV) Ratios**

The maximum LTV and CLTV (combined loan to value) ratio for a mortgage is 95/90%, subject to the limitations described in [Section 6](#).
5. **Date of First Payment**

The date of the first scheduled monthly payment of principal and interest must be no more than 120 days from the Note Date to the Settlement Date, unless specifically authorized by FHLBank Indianapolis.
6. **Amortization**

Each mortgage must commence principal amortization no later than the month immediately following the month in which the mortgage is purchased by FHLBank Indianapolis.
7. **Delinquency Status**

If either of the following occur as of the Settlement Date, FHLBank Indianapolis shall not purchase the mortgage:

 - a. the mortgagor has failed to make a payment due under the mortgage within 30 days after such payment is due during the 12 months prior to the Settlement Date
 - b. if any payments are past due on the Settlement Date

Any such mortgage shall be deemed a defective mortgage.
8. **Repurchases**

FHLBank Indianapolis has the right to require the Seller to repurchase any mortgage under the following circumstances:

 - a. The Custody File is deficient with respect to the parameters set forth in the Document Custodian Manual.
 - b. A claim with respect to a mortgage under the Private Mortgage Insurance (PMI) or SMI policy has been denied resulting from a breach by the Seller or the Servicer, as applicable, of any

representation, warranty, or covenant made in this Guide or any other program document. A Repurchase Demand will be made to the Seller for any loan which the SMI Provider has rescinded SMI coverage.

- c. Any circumstance occurs that constitutes a breach of any of the representations, warranties, or covenants made with respect to the mortgage as stated in the Program Documents.

5.2 Purchase Proceeds

1. Following Initial Certification, the Funding Schedule will be available in LAS, which discloses the allocation of the Purchase Proceeds to principal, interest, and fees for each mortgage sold to FHLBank Indianapolis. The Seller must verify the accuracy of the data contained in such Funding Schedule and promptly report any discrepancies to FHLBank Indianapolis.
2. The Purchase Proceeds remitted by FHLBank Indianapolis to the Seller in connection with the purchase of a mortgage will equal the product of the applicable purchase price stated in the MDC and the scheduled UPB on the cut-off date immediately prior to the Settlement Date, increased or decreased by accrued interest on the mortgage during the month of purchase, as described directly below.

The following paragraphs describe the calculation of purchase proceeds for mortgages sold to FHLBank Indianapolis minus any applicable fees:

a. UPB Purchased

- i. The scheduled UPB against which the purchase price is applied will be the scheduled UPB of the mortgage at the close of business on the first day of the calendar month in which the Settlement Date occurs.
- ii. The Seller shall be entitled to retain all scheduled principal and interest payments due on the mortgage on or before the Settlement Date.
- iii. Payoffs, curtailments, and other unscheduled payments made by mortgagors after the cut-off date immediately prior to the Settlement Date will be the property of FHLBank Indianapolis.

b. Accrued Interest

- i. FHLBank Indianapolis is entitled to receive the principal and interest payment scheduled to be received on the first day of the month in the month immediately following the Settlement Date.
- ii. FHLBank Indianapolis will pay the Seller accrued interest at the Pass-Through Rate from and including the first day of the calendar month following the cut-off date through and including the day prior to the Settlement Date. All calculations of accrued interest shall be made on the basis of actual days elapsed in a 360-day year.

For example:

Cut-Off Date	January 31
Settlement Date	February 25

Seller will pay FHLBank Indianapolis accrued interest if the first payment due date on the loan is the month after the month immediately after the Settlement Date.

- a. Purchase price is calculated on scheduled UPB at close of business on February 1; FHLBank Indianapolis will pay accrued interest at the Pass-Through rate from and including February 1 through and including February 24.
- b. Seller retains all scheduled payments of principal and interest due on or before January 31; all payoffs, curtailments, and unscheduled payments received after January 31 are property of FHLBank Indianapolis.

5.3 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. FHLBank Indianapolis Underwriting Guidelines

FHLBank Indianapolis will accept any loan that has been underwritten in accordance with an Automated Underwriting System (AUS) with Fannie Mae (DU) or Freddie Mac (LPA) as well as FHLBank Indianapolis' underwriting guidelines contained in this section (Section 6) provided that the loan also meets criteria established in the applicable MCC. For manually underwritten loans, follow Freddie Mac manual underwriting guidelines along with any pertaining overlays in this guide.

FHLBank Indianapolis Eligibility Matrix				
Fixed Rate, First Lien Only	Minimum Credit Score 680		Maximum DTI 43	
Transaction Type 5-30 year terms	Number of Units	Maximum LTV/CLTV/HCLTV	Credit Score/LTV	Minimum Reserves
Primary Residence				
Purchase Limited Cash-Out Special Purpose Refinance	1 Unit	95/90/90	680	2 months**
	2 Unit	85/75/75	680	5% own funds 2 months**
	3-4 Unit	75/75/75	680	5% own funds 2 months**
Cash-Out Refinance	1 Unit	80/80/80 75/75/75	720 if > 75% 680 if ≤ 75%	
	2-4 Unit	75/75/75	680	
Second Home				
Purchase Limited Cash-Out Special Purpose Refinance	1 Unit	90/90/90	680	2 months** 5% own funds
	1 Unit	75/75/75	720	2 months**
Construction Perm				
Purchase Limited Cash-Out Refinance*	1 Unit	95/90/90	680	2 months**
	2 Unit	85/75/75	680	5% own funds 2 months**
	3-4 Unit	75/75/75	680	5% own funds 2 months**
Cash-Out Refinance	1 Unit	80/80/80 75/75/75	720 if > 75% 680 if ≤ 75%	5% own funds
	2-4 Unit	75/75/75	680	5% own funds

Income per AUS

* When a limited cash-out refinance transaction is used, the borrower must have held legal title to the lot before he or she receives the first advance of interim construction financing. The borrower is using the proceeds from the construction financing to pay off any existing liens on the lot and finance the construction of the property.

**Reserve requirements when loan includes multiple financed properties

Link to Fannie Mae and Freddie Mac

<https://www.fanniemae.com/content/guide/selling/index.html>

<https://guide.freddie.mac.com/app/guide/>

6.1 Limitations and Restrictions

In addition to the underwriting guidelines provided in this section, the following limitations and restrictions are highlighted:

Limitations Applicable to All Matrices
Cash-Out Refinance – If the property was purchased within the prior six months; the borrower is ineligible for a cash out transaction unless the loan meets the delayed financing exception
Construction-to-permanent – These transactions are subject to applicable eligibility requirements based on the loan purpose. Single-closing transactions are processed as purchases or limited cash-out refinances and two-closing transactions are processed as limited cash-out or cash-out refinances. Minimum credit score 700 with AUS Approve or Accept/Eligible findings.
Debts paid by others – Co-signed debts and debts paid by a business can be excluded if property documented per industry standards
Escrow Holdback – Permitted only for grade and seed and/or weather related for new construction.
Gift of Equity – Exception approval required.
Life Estates – Life Estates are not allowed with the exception of Enhanced Life Estates in the state of Michigan (Lady Bird Deed) with a qualified title policy.
Minimum cash investment – Second home, 2-4-unit, third party originations and manually underwritten loans require 5% of the borrower’s own verified funds.
Multiple financed properties – Borrowers of second homes with additional financed properties are subject to additional reserves requirements.
Property for Sale - Properties that have been listed for sale must be taken off the market prior to application of the new mortgage loan.
Second Homes – Limited to one-unit single family dwelling or condominium in a project only

Restrictions (Overlays) NOT ELIGIBLE FOR PURCHASE	
Appraisal alternatives or a Property Inspection Waiver (PIW)	PACE program in first lien position
Credit Score below 680	Partnerships and/or Corporations
High-Balance Loans	Private transfer fee covenants
<p>Income from the following:</p> <ul style="list-style-type: none"> • Foreign shell banks • Medical Marijuana dispensaries • Any business or activity related to recreational marijuana use, including the growing, selling or supplying of marijuana, even if legally permitted under state or local law • Business engaged in any type of internet gambling 	<p>Properties:</p> <ul style="list-style-type: none"> • Appraisal condition rating C5 or C6 • Manufactured Homes • Mobile Homes • On Frame Modular Homes • Post Frame Homes (pole barn, barndominiums)
Investment Properties	Reduced Private Mortgage Insurance
<p>Ineligible Condominium project types</p> <ul style="list-style-type: none"> • Any project that is operated as a hotel • Timeshare or segmented ownership projects • Projects that permit an owner to hold title to more than one unit under only one deed or mortgage • Projects with legal non-conforming use of the land if zoning does not allow rebuilding to current density in the event of full or partial destruction • Houseboat projects • Projects consisting of manufactured housing • Cooperatives 	<p>Second Home</p> <ul style="list-style-type: none"> • Cash Out owned ≤ 6 months
Judgements, Tax Liens, Collections, Charge-Offs or Repossessions' must be paid in full for manual underwriting	Second Mortgages

Land Contract – Cash Out	Temporary Buy Downs
Non-Warrantable Condominiums	Third Party Originated Loans

6.2 Eligibility

FHLBank Indianapolis requires all loans sold into MPP to meet the definition of QM loans, as defined in applicable CFPB regulations, and to meet the CFPB’s Safe Harbor QM requirements. FHLBank Indianapolis requires all loans to meet the Ability-to-Repay (ATR) rules established by the (CFPB). The ATR rule requires that a reasonable, good faith determination be made before or when the loan is consummated, and that the borrower has a reasonable ability to repay the loan.

The eight underwriting factors established by the CFPB must be considered, and the loan must be documented accordingly. These factors include analysis and review of the borrower’s:

1. Current or reasonably expected income or assets
2. Current employment status
3. Monthly payment on the covered transaction
4. Monthly payment on any simultaneous loan
5. Monthly payment for mortgage-related obligations
6. Current debt obligations, alimony, and child support
7. Monthly debt-to-income ratio or residual income
8. Credit history

6.2.1 Mortgage Eligibility

6.2.1.1 Occupancy Type

Primary Residence

The following criteria must be considered to determine whether a Mortgaged Property is a Primary Residence:

1. It is occupied by the owner/borrower(s) for the majority of the year.
2. The property will be physically occupied by the borrower(s) within 60 days of Closing.
3. It is in a location relatively convenient to the owner’s/borrower(s) principal place of employment.
4. It is the address of record for such activities as federal income tax reporting, mail delivery, and similar functions.
5. It possesses the physical characteristics to accommodate the owner’s/borrower(s) immediate dependent family; and
6. Accessory Dwelling Unit is eligible.

Second/Vacation Homes

If approved for purchase in the MCC, loans for second/vacation homes are eligible for MPP if the borrower meets all of the following conditions:

1. Owns only one unit in a project.

2. Must be secured by a 1-unit property owned by an individual who is also the borrower. Must be occupied by the borrower for some portion of the year and the property must be:
 - a. In such a location as to function reasonably as a second home (i.e., remote in distance from the borrower's primary residence).
 - b. Suitable for year-round occupancy
 - c. Intended and available for the borrower's exclusive use and enjoyment
 - d. Must not be a rental or timeshare arrangement.
3. Is limited to one-unit single family and condominium properties only.

6.2.1.2 LTV, CLTV, HCLTV, and Subordinate Financing

Maximum Loan to Value (LTV)

1. The maximum allowable LTV ratio for a first mortgage is based on a number of factors including, the representative credit score, the type of mortgage product, the number of dwelling units, and the occupancy status of the property.

The following table describes the requirements for calculating LTV ratios for a first mortgage transaction. The result of these calculations must be truncated (shortened) to two decimal places, then rounded up to the nearest whole percent. For example:

LTV	Delivered LTV
94.01%	95%
80.001%	80%

The rounding rules noted above also apply to the CLTV and HCLTV ratio calculations. Lenders' systems must contain rounding methodology that results in the same or a higher LTV ratio.

2. For loans with financed PMI premiums, the base loan amount plus the financed PMI premium may not exceed 95% of the property value.

Maximum Combined Loan to Value/Home Equity Combined Loan to Value (CLTV/HCLTV)

1. The CLTV ratio is determined by dividing the sum of the items listed below by the lesser of the sales price or the appraised value of the property.
 - a. The original loan amount of the first mortgage,
 - b. The drawn portion (outstanding principal balance) of a HELOC, and
 - c. The unpaid principal balance of all closed-end subordinate financing. (With a closed-end loan, a borrower draws down all funds on day one and may not make any payment plan changes or access any paid-down principal once the loan is closed.)
2. For first mortgages that have subordinate financing under a HELOC, the lender must calculate the HCLTV ratio. This is determined by dividing the sum of the items listed below by the lesser of the sales price or appraised value of the property.
 - a. The original loan amount of the first mortgage,
 - b. The full amount of any HELOCs (whether or not funds have been drawn), and
 - c. The unpaid principal balance (UPB) of all closed-end subordinate financing.

Subordinate/Secondary Financing

1. Funds toward the transaction that come from secondary financing against the subject property are acceptable, provided:
 - a. A minimum contribution of 5% of the funds invested in the transaction comes from the borrower's own funds; and
 - b. The monthly payments on the secondary loan are included in calculating the borrower's monthly housing expense ratio.

6.2.1.3 Loan Purpose

Purchase

1. Purchase money mortgages are those that use the proceeds to pay the property seller.
2. For purchase money mortgages, the value of the property is the lesser of the current appraised value or sales price.
3. 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:
 - a. The executed sales contract for the current residence
 - b. Confirmation that any financing contingencies have been cleared

Rate-and-Term/Limited Cash Out/Special Purpose Cash-Out Refinance Mortgages

1. Rate-and term refinance mortgages are mortgages that use all proceeds to pay off the existing first mortgage on the subject property.
2. Closing costs, including pre-pays, may be included in the new loan balance, provided they are reasonable and customary for the market.
3. Cash back to the mortgagor(s) or any other payee may not exceed the lesser of either
 - a. DU - 2% of the new refinance Mortgage or \$2,000
 - b. LPA – up to the greater of 1% of the new refinance mortgage or \$2000
 - c. Manual Underwrite - 2% of the new refinance Mortgage or \$2,000
4. Proceeds of refinances that are being used to pay off a junior lien (home equity line of credit, second mortgage, etc.) are eligible for FHLBank Indianapolis purchase as a rate and term refinance, provided:
 - a. The LTV and CLTV/HCLTV are based on a current Uniform Residential Appraisal Report (URAR) appraisal.
 - b. The note amount of loans with financed PMI premiums does not exceed 95% of the property value.
 - c. Payoff of a Junior Lien is acceptable under the following scenario:
 - i. The Junior Lien was originated as a Purchase Money Second Mortgage (seller or institutional financing) with the first and second lien recorded simultaneously.
5. Properties listed for sale must be taken off the market prior to application of the new mortgage loan.

Special purpose cash-out refinance Mortgages

A cash-out refinance Mortgage where the owner of a property uses the proceeds of the refinance transaction to buy out the equity of a co-owner is a special purpose cash-out refinance Mortgage.

The Loan amount of a special purpose cash-out refinance is limited to amounts used to buy out the equity of the co-owner, which may include:

- Paying off the first Mortgage, regardless of age
- Paying off junior liens secured by the Mortgaged Premises
- Paying related Closing Costs

In addition, the following conditions must be met:

- The borrower and the co-owner receiving the buy-out proceeds must have jointly owned the property for a minimum of 12 months prior to the initial loan application (parties who inherited an interest in the property are exempt from this requirement)
- The borrower and the co-owner receiving the buy-out proceeds must provide evidence that they occupied the subject property as their Primary Residence (parties who inherited an interest in the property are exempt from this requirement)
- The borrower and the co-owner receiving the buy-out proceeds must provide a written agreement, signed by all parties, stating the terms of the property transfer and the disposition of the proceeds from the refinancing transaction
- The borrower who retains sole ownership of the property may not receive any of the proceeds from the refinance transaction

Special documentation requirements: The Seller must retain the following in the Mortgage file:

- Documentation evidencing that the borrower and the co-owner jointly occupied the Mortgaged Premises as their Primary residence, if applicable
- A copy of the written agreement stating the terms of the property transfer and the disposition of the refinance proceeds

Cash Out Refinances

- **Follow Fannie Mae/Freddie Mac underwriting Guidelines.**

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

- Follow Fannie Mae or Freddie Mac Guidelines
- Second Homes are not eligible.

Land Contract

- Follow Fannie Mae or Freddie Mac Guidelines

6.2.1.4 Loan Amortization Types

Fixed Rate, Level-Payment Mortgages

Mortgage loans must provide for fixed rate, level-payment principal and interest payments that do not change for the life of the loan and must:

- Fully amortize over the remaining term to maturity, with the amortization term not to exceed 360 months, and
- Have no potential negative amortization, rate concessions (buy-downs), or graduated-payment mortgage (GPM) features.

6.2.1.5 Other Loan Attributes and Related Policies

Loan Limits

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

Number of Units	Maximum Original Loan Amount	Maximum Original Loan Amount for properties in Alaska and Hawaii
1	\$726,200	\$1,089,300
2	\$929,850	\$1,394,775
3	\$1,123,900	\$1,685,850
4	\$1,396,800	\$2,095,200

The MPP Department will follow 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

All mortgages with an LTV greater than 80% are required to have escrow accounts (with the exception of properties in California, where escrow waivers are permitted up to 89.99% LTV).

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 manage the lump sum payments of escrowed items.

6.2.2 Property Eligibility

Follow Fannie Mae/Freddie Mac guidelines for Condominium Projects, Site Condominiums, Planned Unit Developments as well as Modular or Prefabricated Homes.

- Single family detached residences (including modular housing and Accessory Dwelling Units).
- Two, three, and four-family residences
- Planned Unit Developments (PUDs)
- Low-rise and high-rise condominiums

6.2.2.1 Condominium Projects

Condominium units in completed, established projects will be acceptable collateral for this program. The maximum LTV is 95%. The Seller is responsible for determining that the project is agency (FHA, Fannie Mae, or Freddie Mac) approved.

6.2.2.2 Site Condominiums

Site condominiums are defined as Single-family detached homes with ownership rights as a condominium.

6.2.2.3 Planned Unit Developments (PUDs)

A PUD is a project or subdivision that consists of common Property and improvements that are owned and maintained by an HOA for the benefit and use of the individual PUD units.

6.2.2.4 Modular or Prefabricated Homes

A unit in which components are constructed entirely in an indoor controlled factory environment using conventional home floor joists and assembled in three dimensions prior to shipment to the building site, is a modular or prefabricated home. Sections of the home conform to the same state and local Uniform Building Codes as site-framed homes and are inspected by licensed and certified third-party inspectors in the factory.

Modular or prefabricated homes should be treated as single family residences.

6.2.3 Borrower Eligibility

6.2.3.1 Non-U.S. Citizen Borrower Eligibility

- Follow Fannie Mae/Freddie Mac underwriting Guidelines.

6.2.3.2 Inter Vivos Revocable Trust

To be eligible for an inter vivos revocable trust, the following criteria, among others, must be met:

1. The primary beneficiary(ies) of the trust must be a natural person(s) who established the trust.

2. Borrowers must meet the minimum state age requirements governing ownership of real estate and must have the legal capacity to contract for a mortgage.
3. The income and assets of at least one primary beneficiary will be used to qualify for the mortgage. That beneficiary will occupy the property and become personally liable on the note as Cosigner or Guarantor and acknowledge the mortgage.
4. The trust must be established by a written document. The Seller must review:
 - a. The trust agreement for the inter vivos revocable trust and the Seller must determine that the beneficiary(ies) has retained the power to revoke or amend the trust. There is specific authorization for the trustee(s) to borrow money and to purchase, construct, or encumber realty.
 - b. There is no unusual risk or impairment of lenders' rights (such as distributions required to be made in specified amounts from other than net income).
 - c. The beneficiary need not grant written consent for the trust to borrow money or, if such consent is required, it has been granted in writing for purposes of the Mortgage.
 - d. If the trust agreement requires more than one trustee to borrow money or to purchase, construct or encumber realty, that the requisite number of trustees have signed the loan documents.
 - e. In addition, the Seller must review the deed conveying the Mortgaged Premises to the trustee or trust to verify that title is vested in the trustee(s) on behalf of the inter vivos revocable trust (or is vested in such other manner as is customary in the jurisdiction for inter vivos revocable trusts).

A first lien on the property must be created by the trust. The Seller must verify that title vested in the trustee(s) on behalf of the trust (or in such other manner as is customary in the jurisdiction for inter vivos revocable trusts) does not lessen in any way *FHLBank Indianapolis's* interest and the ability to obtain clear and marketable title to the Mortgage Premises in the event of a foreclosure of the Mortgage.

6.2.3.3 *Number of Financed Properties*

Subject Property	AUS DU/LPA	Manual Underwrite
Primary Residence	N/A	6
Second Home	10	6

6.3 Underwriting Borrowers

Automated Underwriting System (AUS)

FHLBank Indianapolis will accept any loan that has been processed through Fannie Mae's Desktop Underwriter (DU) or Freddie Mac's Loan Product Advisor (LPA) which receives a risk classification of Approve (DU) or Accept (LP) and a purchase eligibility rating of Eligible provided that, in any event:

1. The mortgagor has a credit score of not less than 680 at the time the loan is underwritten.
2. The borrower's Debt to Income (DTI) ratio may not exceed 43%.
3. The DU or LP decision should be entered or transmitted through LAS, and the documentation information should be either entered or transmitted through LAS.
 - a. Preliminary Desktop Originator (DO) findings are acceptable if they match the final loan terms (for borrowers with debt ratios that exceed 43%, a final DU or LP is required for an exception to be granted). Sellers using DU/LP must have final findings in the file that match the final loan terms.
 - b. The guidelines for rate/term refinances remain the same for loans utilizing both manual and automated underwriting. When using automated underwriting, loans entered in the AUS as No Cash-Out refinance (LPA) or Limited Cash-Out Refinance (DU) should be coded in LAS as a rate/term refinance under the Underwriting tab, Loan Purpose.

Manual Underwriting

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%.

Lenders that choose to manually underwrite a mortgage application are expected to follow the comprehensive risk assessment approach. Under this approach, lenders evaluate certain key risk elements to assess the overall level of delinquency risk. Lenders are fully responsible for:

- evaluating the delinquency risk of each loan.
- reviewing the credit report, as well as all other credit information, to determine that the credit report meets requirements, that the data evaluated was accurate, and that the borrower has the capacity to repay the mortgage loan.
- assessing the adequacy of the property as collateral for the mortgage requested.
- determining whether the loan meets eligibility requirements as fully described in this Guide.
- determining whether it is appropriate to deliver the mortgage loan to FHLBank Indianapolis; and
- fully documenting the assessment and the documentation on which the assessment was based.

Comprehensive Risk Assessment

Lenders must evaluate the overall level of serious delinquency risk that is present in each mortgage application by taking into consideration any layering of risk factors, the significance of risk factors, and the overall risks present in the mortgage application. A solid foundation for assessing the risk of a manually underwritten loan, and identify the risk elements to evaluate for each transaction type, including:

- LTV, CLTV, and HCLTV ratios ("LTV ratios").
- credit score.
- occupancy.
- loan purpose.
- loan amortization type.
- property type and number of units.
- product type (if applicable).
- debt-to-income (DTI) ratio; and
- financial reserves

The lender's determination of the mortgage delinquency risk, the assessment of the adequacy of the property as security for the mortgage, the determination of whether the mortgage satisfies Fannie Mae's

mortgage eligibility criteria, and the acceptability of the documentation in the mortgage file should all enter into the decision on whether to deliver the mortgage to Fannie Mae.

The lender must fully document the results of its comprehensive risk assessment and final underwriting decision and ensure that the information used to reach its comprehensive risk assessment is valid, accurate, and substantiated.

6.3.1 Income Assessment

The stable and reliable flow of income is a key consideration in mortgage loan underwriting. Individuals who change jobs frequently, but who are nevertheless able to earn consistent and predictable income, are also considered to have a reliable flow of income for qualifying purposes.

To demonstrate the likelihood that a consistent level of income will continue to be received for borrowers with less predictable sources of income, the lender must obtain information about prior earnings. Examples of less predictable income sources include commissions, bonuses, substantial amounts of overtime pay, or employment that is subject to time limits, such as contract employees or tradesmen.

All income that is calculated by an averaging method must be reviewed to assess the borrower's history of receipt, the frequency of payment, and the trending of the amount of income being received. Examples of income of this type include income from hourly workers with fluctuating hours, or income that includes commissions, bonuses, or overtime.

A key driver of successful homeownership is confidence that all income used in qualifying the borrower will continue to be received by the borrower for the foreseeable future. Unless the lender has knowledge to the contrary, if the income does not have a defined expiration date and the applicable history of receipt of the income is documented (per the specific income type), the lender may conclude that the income is stable, predictable, and likely to continue. The lender is not expected to request additional documentation from the borrower.

If the income source does have a defined expiration date or is dependent on the depletion of an asset account or other limited benefit, the lender must document the likelihood of continued receipt of the income for at least three years.

If the lender is notified that the borrower is transitioning to a lower pay structure, for example due to pending retirement, the lender must use the lower amount to qualify the borrower.

General Documentation Requirements

The lender must verify employment income for all borrowers whose income is used to qualify for the mortgage loan. This verification can be provided by the borrower, by the borrower's employer, or by a third-party employment verification vendor.

6.3.1.1 Automated Underwriting System (AUS)

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.

6.3.1.2 Manual Underwriting

1. All employment gaps within the last two years should be explained satisfactorily.

Paystubs

The paystub must be dated no earlier than 30 days prior to the initial loan application date and it must include all year-to-date earnings. Additionally, the paystub must include sufficient information to appropriately calculate income; otherwise, additional documentation must be obtained.

W-2's

IRS W-2 forms must cover the most recent two-year period, based on the documentation requirements for the particular income type. The W-2 forms must clearly identify the borrower as the employee. Alternative documentation, such as an IRS Wage and Income (W-2) Transcript, a written Request for Verification of Employment, or the final year-to-date paystub, may be used as long as adequate information is provided.

Tax Returns

When required, personal federal income tax returns must be copies of the original returns that were filed with the IRS. All supporting schedules must be included. Alternatively, the lender must obtain applicable transcripts of federal income tax returns. Each tax return must be signed by the borrower unless the lender has obtained one of the following signature alternatives:

- documentation confirming that the tax returns were filed electronically,
- a completed IRS Form 4506-T (signed by the borrower at application and closing) for the year in question, or
- IRS transcripts that validate the tax return

Alimony or Child Support

Document that alimony or child support will continue to be paid for at least three years after the date of the mortgage application, as verified by one of the following: A copy of a divorce decree or separation agreement (if the divorce is not final) that indicates payment of alimony or child support and states the amount of the award and the period of time over which it will be received. Note: If a borrower who is separated does not have a separation agreement that specifies alimony or child support payments, the lender should not consider any proposed or voluntary payments as income. Any other type of written legal agreement or court decree describing the payment terms for the alimony or child support.

Documentation that verifies any applicable state law that mandates alimony, child support, or separate maintenance payments, which must specify the conditions under which the payments must be made.

Check for limitations on the continuance of the payments, such as the age of the children for whom the support is being paid or the duration over which alimony is required to be paid.

Document no less than six months of the borrower's most recent regular receipt of the full payment.

Review the payment history to determine its suitability as stable qualifying income. To be considered stable income, full, regular, and timely payments must have been received for six months or longer. Income received for less than six months is considered unstable and may not be used to qualify the borrower for the mortgage. In addition, if full or partial payments are made on an inconsistent or sporadic basis, the income is not acceptable for the purpose of qualifying the borrower.

Base Pay, Bonus and Overtime

A minimum history of two years of employment income is recommended. However, income that has been received for a shorter period of time may be considered as acceptable income, as long as the borrower's employment profile demonstrates that there are positive factors to reasonably offset the shorter income history. Borrowers relying on overtime or bonus income for qualifying purposes must have a history of no less than 12 months to be considered stable.

Commission Income

A minimum history of 2 years of commission income is recommended; however, commission income that has been received for 12 to 24 months may be considered as acceptable income, as long as there are positive factors to reasonably offset the shorter income history. One of the following must be obtained to document commission income:

- a completed Request for Verification of Employment
- The borrower's recent paystub and IRS W-2 forms covering the most recent two-year period

Military Income

Military personnel may be entitled to several types of pay in addition to their base pay. Flight or hazard pay, rations, clothing allowance, quarters' allowance, and proficiency pay are acceptable sources of stable income, as long as the lender can establish that the particular source of income will continue to be received in the future.

Income paid to military reservists while they are satisfying their reserve obligations also is acceptable if it satisfies the same stability and continuity tests applied to secondary employment.

Secondary Employment Income

Verification of a minimum history of two years of uninterrupted secondary employment income is required. A borrower may have a history that includes different employers, which is acceptable as long as income has been consistently received.

Self Employed Income

Obtain copies of the signed federal income tax returns (both individual returns and in some cases, business returns) that were filed with the IRS for the past two years (with all applicable schedules attached). A copy of the written analysis must be included as part of any loan application package. IRS transcripts are required for personal and business returns.

Verbal Verification of Employment

Lenders must obtain a verbal verification of employment (verbal VOE) for each borrower using employment or self-employment income to qualify. The verbal VOE must be obtained within 10 business days prior to the note date for employment income, and within 120 calendar days prior to the note date for self-employment income. The verbal VOE requirement is intended to help lenders mitigate risk by confirming, as late in the process as possible, that the borrower remains employed as originally disclosed on the loan application. A change in the borrower's employment status could have a significant impact on that borrower's capacity to repay the mortgage loan and must be fully reevaluated.

6.3.2 Asset Assessment

All funds used to qualify the Borrower for the Mortgage transaction, including, but not limited to, funds for Down Payment, Closing Costs, and reserves, must come from the eligible sources.

The lender can use any of the following types of documentation to verify that a borrower has sufficient funds for closing, down payment, and/or financial reserves:

- Request for Verification of Deposit
- Copies of bank statements or investment portfolio statements
- Direct verification by a third-party asset verification vendor
- Copies of retirement account statements

6.3.2.1 Automated Underwriting System (AUS)

1. Follow DU/LPA findings.

6.3.2.2 Manual Underwriting

Interested Party Contribution

- a. Funds toward the transaction that come from the seller, builder, or other interested parties are acceptable based on the property value:

Occupancy	90.01%-95% LTV	90% LTV and below
Primary Residence	3%	6%

- b. Interested party contributions may be used only for normal and customary closing costs including pre-pays such as origination, commitment or discount fees, appraisal fees, title fees, etc.
- c. Interested party contributions may not be used as part of the mortgagor's down payment.
- d. Sales concessions (non-realty incentives) such as furniture, automobiles and decorator allowances are acceptable; however, the value of such concessions must be deducted from the sales price when calculating the LTV/CLTV/HCLTV ratios for underwriting and eligibility purposes.
- e. Loans which involve interested party contributions that exceed the maximum contribution limits must have the excess concessions deducted from the sales price when calculating the LTV/CLTV/HCLTV ratios for underwriting and eligibility purposes.

Minimum Reserve Requirement

- Follow Fannie Mae/Freddie Mac underwriting Guidelines.

Verification of Deposits and Assets

The lender can use any of the following types of documentation to verify that a borrower has sufficient funds for closing, down payment, and/or financial reserves:

- a. Verification of Deposit - The information must be requested directly from the depository institution, and the complete, signed, and dated document must be sent directly from the depository institution.
- b. Bank Statements or Investment Portfolio statements - The statements must cover the most recent full two-month period of account activity (60 days, or, if account information is reported on a quarterly basis, the most recent quarter). The statements must:
 - clearly identify the borrower as the account holder,
 - include at least the last four digits of the account number,
 - include the time period covered by the statement,
 - include all deposits and withdrawal transactions (for depository accounts),
 - include all purchase and sale transactions (for financial portfolio accounts) and include the ending account balance.

If the lender is the holder of the borrower's account, the lender may produce a printout or other alternative verification of the asset(s) directly from its system. The printout or alternative verification is acceptable as long as all required data (above) is supplied and documented.

Copies of Retirement Account Statements – They must be the most recent statements, and they must identify the borrower’s vested amount and terms.

Gifts

Gifts to the borrower from an acceptable donor to be used toward the transaction are acceptable within the following parameters:

- a. Gift funds may fund all or part of the down payment, closing costs, or financial reserves subject to the minimum borrower contribution requirements outlined above.
- b. Gifts from a family member who has resided with the borrower for at least the last 12 months and who intends to continue to do so may be considered the same as borrower funds.
- c. Gift funds must be provided by a relative, defined as the borrower’s spouse, child, or other dependent, or by any other individual who is related to the borrower by blood, marriage, adoption, or legal guardianship, or a fiancé, fiancée, or domestic partner.
- d. The donor may not be, or have any affiliation with, the builder, the developer, the real estate agent, or any other interested party to the transaction.
- e. A gift letter with donor name, address, telephone number, and relationship to the borrower is provided from the donor stating that no repayment is required, specifies the dollar amount of the gift, and specifies the date the funds were transferred.
- f. Verification that sufficient funds to cover the gift are either in the donor’s account or have been transferred to the borrower’s account by acceptable documentation that includes a copy of the donor’s check and the borrower’s deposit slip, a copy of the donor’s withdrawal slip and the borrower’s deposit slip, a copy of the donor’s check to the closing agent, or a settlement statement showing receipt of the donor’s check. When the funds are not transferred prior to settlement, the seller must document that the donor gave the closing agent the gift funds in the form of a certified check, a cashier’s check, or other official check.

6.3.3 Credit Assessment

To establish an acceptable credit reputation, there must be at least a minimum amount of credit history available. There may be situations in which a credit history of short duration is sufficient to demonstrate an acceptable reputation as long as the history contains a sufficient number of payment references. A credit history of short duration adds a layer of risk that must be considered in evaluating the Borrower’s credit reputation.

Allowable Age of Credit Documents

Credit documents include credit reports and employment, income, and asset documentation. For all mortgage loans (existing and new construction), the credit documents must be no more than four months old (120 days) on the note date. When consecutive credit documents are in the loan file, the most recent document is used to determine whether it meets the age requirement. For example, when two consecutive monthly bank statements are used to verify a depository asset, the date of the most recent statement must be no more than four months old on the note date. If the credit documents are older than allowed, the lender must update them.

Loan-Level Price Adjustment Based on Credit Score

Loan-level price adjustments (LLPAs) are assessed based on the “representative” credit score for the loan. Scores below 680 may be subject to a fee and require an exception.

6.3.3.1 Automated Underwriting System (AUS)

1. Follow DU/LPA findings.
2. Minimum credit score of 680

6.3.3.2 Manual Underwriting

Acceptable Reestablished Credit

1. Acceptable re-established credit is a minimum of two accounts, documented by a traditional credit report.
2. The accounts must be open and active for the most recent 24 months and have no late payments during this period. Type and balance of the accounts will be taken into consideration.
3. Additional consideration will be given to borrowers demonstrating stable income and a savings history.
4. For borrowers who have been through credit counseling, (12) months of re-established credit from the conclusion of the counseling is required.
5. Examples of circumstances beyond the borrower’s control include loss of employment, serious long-term illness, and medical bills that are not covered by insurance.

Adverse Credit History

1. The Seller should review the borrower’s past credit history.
2. Borrowers must provide a satisfactory written explanation for any of these credit events. The explanation should include a timeframe that matches the time of the delinquency.
3. In reaching an underwriting decision for loan files with adverse credit issues, the Seller should consider the frequency and severity of the circumstances.
4. The events should not reflect a disregard for, or mismanagement of, financial obligations.
5. Circumstances should be evaluated to determine whether the borrower has re-established acceptable credit and if the situation were beyond the borrower’s control.

Credit Summary Documentation Requirements:

Borrower	History/Documentation Requirements
All Files	Borrower file must contain: <ul style="list-style-type: none">• Residential mortgage credit report (RMCR), or• Two-repository, in-file, merged/purged credit report, and• Mortgage/rental history for twelve (12) months must be verified.• Minimum credit score of 680
Borrowers with Established Credit	<ul style="list-style-type: none">• Minimum three credit references• Three trade lines that have been evaluated for a minimum of twelve (12) months.

Borrowers with Non-Established Credit	If four credit references cannot be documented through the RMCR or a two-repository, in-file, merged/purged credit report, FHLBank Indianapolis requires alternative credit sources for a total of four references. Each alternative credit source must have been open and active in the last twelve (12) months.
Files with Adverse Credit Issues	Cure and/or explain as appropriate.
Judgements, Tax Liens, Collections, Charge-Offs, or Repossessions	Must be paid in full
Bankruptcies	Must be discharged four years prior to loan application or seven years for cash-out refinance. If bankruptcy was due to extenuating circumstances, such as medical, discharge must be two years prior to loan application.
Foreclosures/Deed-in-Lieu/Short Sales	Seven years must have passed prior to loan closing for a foreclosure and five years for Short Sale or Deed-in-Lieu. A 10% down payment is required between five and seven years since completion.

Credit Scores

1. Borrower Credit Score Requirements:
 - All borrowers must have a valid credit score.
 - At least two valid scores should be obtained for each borrower.
 - All borrowers must meet a minimum credit score requirement of 680.
2. Credit scores may be obtained from the following major credit bureaus:
 - Equifax BEACON
 - Trans Union EMPIRICA
 - Experian/Fair Isaac (FICO)

Late Payments

1. The Seller must review the number and severity of late payments to determine the borrower's ability to manage debt and regard for obligations.
2. In general, isolated instances of a late payment, particularly if not recent, will not adversely affect the underwriting decision. In such instances, underwriting judgment is required to determine whether late payments were due to a lack of borrower regard for financial obligations or outside factors beyond the control of the borrower.
3. Since the borrower's intent cannot be directly measured, the frequency and timing of late payments, why they occurred, their severity, and the size of the account balance(s) must be analyzed as indicators of borrower intent. The borrower's reasons for failure to pay as agreed must be reasonable, corrected, and unlikely to recur.

The acceptable number and frequency of late payments as follows:

Obligation Type	Last 3 Months	Last 12 Months	Last 24 Months
Housing: (Mortgage or Rent)	No Lates	No Lates	1x30 day No 60 day or beyond
Installment	No Lates	1x30 day No 60 day or beyond	2x30 day 1x60 day No 90 day or beyond
Revolving	No Lates	2x30 day No 60 day or beyond	2x30 day 1x60 day No 90 day or beyond

Mortgage History

The lender must review the borrower's credit report to determine the status of all mortgage accounts. If a borrower had previous mortgages, the lender does not have to independently verify the mortgage payment history provided the credit report includes a reference to the mortgage (or mortgages) and reflects 12 months of the most recent payment activity.

If adequate mortgage payment history is not included in the borrower's credit report, the lender must use the following to verify the borrower's payment history on a previous mortgage(s):

- a standard mortgage verification.
- loan payment history from the servicer.
- the borrower's canceled checks for the last 12 months; or
- the borrower's year-end mortgage account statement provided the statement includes a payment receipt history, and, if applicable, canceled checks for the months elapsed since the year-end mortgage account statement was issued.

Payment History

1. A borrower's 12-month mortgage payment history for any property owned or rental payment history for the last 12 months must be verified.
2. Validating credit scores is subjective and typically requires 3 or more trade lines to validate a credit score depending on depth of credit history and the length of time established.
3. Note: Evaluated means that the credit report showed the trade line open and active for at least a 12-month period regardless of when it was open and active.
4. Although FICO scores may be generated if a repository's file includes only one trade line, the Seller must not use any FICO score based on fewer than three trade lines. A valid credit score requires three trade lines that are evaluated for a minimum of 12 months. The trade line does not have to be currently open or active. Authorized user accounts are NOT eligible trade lines.
5. If this information is not included in the RMCR or in-file credit report, alternative credit references should be submitted with the traditional credit report.

Rental Payment History

The borrower's rental payment history must be documented for the most recent consecutive 12-month period. The following documentation is acceptable:

- Canceled checks can be provided. In lieu of canceled checks, the lender may use the borrowers bank statements, copies of money orders, or other reasonable methods for documenting the timely payment of rent. The documentation must clearly indicate the payee and amount being paid, and reflect those payments were made on a consistent basis.
- Direct verification of the payment of rent from the landlord. Direct landlord verification is acceptable whether the landlord is an individual or a professional management company.

If at least one borrower on the loan can document a rental housing payment as a source of nontraditional credit, the loan has met the rental payment history requirement. The lender is not required to obtain documentation of a rental payment history for other nontraditional credit borrowers on the loan. However, the lender must still document the minimum number of nontraditional credit sources required for each nontraditional credit borrower.

If two or more borrowers on a loan share the housing-related source (for example, they are both named on the lease for the property in which they are living), that documentation counts as one source of nontraditional credit documentation for each borrower, even if only one borrower has been making the payments.

Timeliness of Payment Obligations

1. All obligations need to be current at the time of the application.
2. The Seller must review these obligations to determine if they have been paid on a timely basis.
3. In the event the borrower has failed to make payments as agreed, the borrower's reasons for failure to pay must be reasonable, corrected, and unlikely to recur. These reasons should be contained in a credit explanation letter and placed in the mortgage file.

Traditional Credit Reports

One of these traditional credit reports must be included in the mortgage file:

1. Residential Mortgage Credit Report (RMCR) from an independent credit reporting agency.
2. Minimum two-repository, in-file, merge/purge credit report.

Waiting Period Requirements

Adverse Credit Item	Waiting Period Requirement
Foreclosure	7 Years
Deed-in-Lieu of Foreclosure and Pre-Foreclosure (Short Sale)	4 Years
Bankruptcy (other than Chapter 13)	4 Years from Dismissal or Discharge Date
Chapter 13 Bankruptcy	2 Years from Discharge Date OR 4 Years from Dismissal Date
Multiple Bankruptcy Filings	Not Eligible

Other significant adverse or derogatory credit information	4 Years
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Restructured Mortgage Loans: 24 months if the borrower(s) made a minimum of 24 consecutive months of timely mortgage payments on the restructured loan before closing on the refinance mortgage loan.

6.3.4 Liability Assessment

The lender’s risk analysis must include all liabilities affecting income or assets that will affect the borrower’s ability to fulfill the mortgage payment obligation.

6.3.4.1 Automated Underwriting System (AUS)

1. Follow DU/LPA findings.
2. Maximum DTI 43%

6.3.4.2 Manual Underwriting

1. The total housing/monthly debt ratios may not exceed 33%/43%
2. As follows:

Monthly Housing Expense Ratio

The monthly housing expense ratio compares the borrower’s projected total monthly housing expense with the borrower’s total monthly income. Monthly housing expense includes the PITI payment and, if applicable, other financing and homeowners’ association dues. The ratio should be calculated as follows:

Monthly Housing Expense Ratio:
$\text{Total Monthly Housing Expense} \div \text{Total Income} = \text{Monthly Housing Expense ratio}$

Total Debt Ratio

The total monthly debt ratio compares the borrower’s total monthly debt with total monthly income and should be calculated as follows:

Total Debt Ratio:
$\text{Total Monthly debt} \div \text{Total Income} = \text{Total Debt Ratio}$

Additional Credit Information

1. Direct verification should be included for any accounts not listed on the credit report.
2. A letter of explanation detailing significant adverse credit items should be included.
3. When the credit report indicates that recent inquiries took place, the lender must confirm that the borrower has not obtained any additional credit that is not reflected in the credit report or the mortgage application. If additional credit was obtained, a verification of that debt must be provided, and the borrower must be qualified with the monthly payment.

Alimony/Child Support/Separate Maintenance Payments

When the borrower is required to pay alimony, child support, or maintenance payments under a divorce decree, separation agreement, or any other written legal agreement—and those payments must continue to be made for more than ten months—the payments must be considered as part of the borrower’s recurring monthly debt obligations. However, voluntary payments do not need to be taken into consideration and an exception is allowed for alimony.

Debts Paid by Others

When a borrower is obligated on a mortgage debt - but is not the party who is actually repaying the debt - the lender may exclude the full monthly housing expense (PITIA) from the borrower’s recurring monthly obligations if

- the party making the payments is obligated on the mortgage debt,
- there are no delinquencies in the most recent 12 months, and
- the borrower is not using rental income from the applicable property to qualify.

In order to exclude non-mortgage or mortgage debts from the borrower’s DTI ratio, the lender must obtain the most recent 12 months’ canceled checks (or bank statements) from the other party making the payments that document a 12-month payment history with no delinquent payments.

Installment Debt

All installment debt that is not secured by a financial asset—including student loans, automobile loans, personal loans, and timeshares—must be considered part of the borrower’s recurring monthly debt obligations if there are more than ten monthly payments remaining. However, an installment debt with fewer monthly payments remaining also should be considered as a recurring monthly debt obligation if it significantly affects the borrower’s ability to meet his or her credit obligations. See below for treatment of payments due under a federal income tax installment agreement.

Lease Payments

Lease payments must be considered as recurring monthly debt obligations regardless of the number of months remaining on the lease. This is because the expiration of a lease agreement for rental housing or an automobile typically leads to either a new lease agreement, the buyout of the existing lease, or the purchase of a new vehicle or house.

Obligations Not Considered Debt

Obligations not considered debt, and therefore not subtracted from gross income, include all of the following:

- Federal, State, and local taxes
- Federal Insurance Contributions Act (FICA) or other retirement contributions, such as 401(k) accounts (including repayment of debt secured by these funds) Commuting costs

- Union dues
- Open accounts with zero balances
- Automatic deductions to savings accounts
- Childcare
- Voluntary deductions

Revolving Charge/Lines of Credit

Revolving charge accounts and unsecured lines of credit are open-ended and should be treated as long-term debts and must be considered part of the borrower's recurring monthly debt obligations. These trade lines include credit cards, department store charge cards, and personal lines of credit. Equity lines of credit secured by real estate should be included in the housing expense.

If the credit report does not show a required minimum payment amount and there is no supplemental documentation to support a payment of less than 5%, the lender must use 5% of the outstanding balance as the borrower's recurring monthly debt obligation.

Student Loans

If a monthly student loan payment is provided on the credit report, the lender may use that amount for qualifying purposes. If the credit report does not reflect the correct monthly payment, the lender may use the monthly payment that is on the student loan documentation (the most recent student loan statement) to qualify the borrower.

If the credit report does not provide a monthly payment for the student loan, or if the credit report shows \$0 as the monthly payment, the lender must determine the qualifying monthly payment using one of the options below.

1. If the borrower is on an income-driven payment plan, the lender may obtain student loan documentation to verify the actual monthly payment is \$0. The lender may then qualify the borrower with a \$0 payment.
2. For deferred loans or loans in forbearance, the lender may calculate
 - a payment equal to 1% of the outstanding student loan balance (even if this amount is lower than the actual fully amortizing payment), or
 - a fully amortizing payment using the documented loan repayment terms.

6.4 Underwriting Property

6.4.1 Maximum Age of Appraisal

Properties must be appraised or inspected within the 12 months that precede the date of the note and mortgage. If appraisals are more than 120 days old from Note Date, regardless of whether the property was appraised as proposed or existing construction, then appraisers must perform an appraisal update

which includes inspection of the exterior of the property and review current market data to determine whether the property has declined in value since the date of the original appraisal. If the appraiser indicates the property value has declined, the lender must obtain a new appraisal for the property. If the appraiser indicates the property has not declined in value, the lender should request the appraiser to provide an update to the appraisal, based on the appraiser's exterior inspection of the property and knowledge of current market conditions. The inspection and the appraisal update must occur within the four (4) months that precede the date of the note and mortgage. Appraisal updates can be reported via Appraisal Update and/or Completion Report (Form 1004D) or URAR.

6.4.2 Appraisal Requirements

The Seller represents and warrants that any appraisal conducted in connection with a mortgage loan conforms to the Appraiser Independence Requirements. The Seller is responsible for the accuracy and reasonableness of the appraisal report. The Appraisal should be in the Seller's name. Appraisal transfers are acceptable subject to the following:

- Seller underwriting review and approval.
- Seller represents and warrants the appraisal.
- Seller obtains a color PDF copy of the appraisal report.
- Seller obtains a letter from the original lender that ordered the appraisal report stating compliance with the Appraisal Independence Requirements; and
- Seller obtains copies of both the submission summary report (SSR) for both Fannie Mae AND Freddie Mac or XML copy of the appraisal.

A thorough review of the report should be conducted to verify that the appraiser has appropriately validated the market value and made comments and adjustments as needed. FHLBank Indianapolis has adopted the Uniform Appraisal Dataset (UAD). The UAD is intended to establish a standardized response or, in some cases, more data points. Sellers are responsible for using appraisers and appraisal vendors that utilize the UAD appraisal report forms and ensure all applicable appraisals have been completed in compliance with Appendix D of the UAD Specification.

A condition rating of C5 or C6 are not acceptable collateral for FHLBank Indianapolis.

6.4.3 Appraisal Reports

The appraisal should include all of the following:

1. Photos of subject property, street scene, and comparables
2. Review appraisal (if available)
3. All addenda and explanations
4. FHLBank Indianapolis will not accept Property Inspection Waivers (PIW).

The following Fannie Mae/Freddie Mac URAR Reports are used in the appraisal process:

Type of Appraisal	Description	Fannie Form #	Freddie Form #
Uniform Residential Appraisal Report (URAR)	An appraisal of a one-unit property (including an individual unit in a PUD project and an individual unit in a detached condominium project) based upon an interior and exterior property inspection.	1004	70
Individual Condominium Unit Appraisal Report	An individual condominium unit based upon an interior and exterior property inspection.	1073	465
Small Residential Income Property Appraisal Report	An appraisal of a two-unit to four-unit property (including a two-unit to four-unit property in a PUD, condominium, or cooperative project) based upon an interior and exterior property inspection.	1025	72
Appraisal Update and/or Completion Report	Appraisal updates and/or completion reports for all one-unit to four-unit appraisal reports.	1004D	442
One-Unit Residential Appraisal Field Review Report	Appraisal field reviews for one-unit appraisal reports.	2000	1032
Two to Four Unit Residential Appraisal Field Review Report	Appraisal field reviews for two-unit to four-unit appraisal reports.	2000A	1072

6.4.4 Rural Properties

- Follow Fannie Mae/Freddie Mac underwriting Guidelines.

6.5 Unique Eligibility and Underwriting Considerations

6.5.1 Construction Permanent

6.5.1.1 *Single-Closing Construction-to-Permanent Mortgage*

A single-closing construction-to-permanent mortgage loan may be closed as:

- a purchase transaction, or
- a limited cash-out refinance transaction.

When a purchase transaction is used, the borrower is not the owner of the lot at the time of the first advance of interim construction financing, and the borrower is using the proceeds from the interim construction financing to purchase the lot and finance the construction of the property.

When a limited cash-out refinance transaction is used, the borrower must have held legal title to the lot before he or she receives the first advance of interim construction financing. The borrower is using the proceeds from the construction financing to pay off any existing liens on the lot and finance the construction of the property.

6.5.1.2 *Two-Closing Construction to Permanent Mortgage*

Two-closing transactions utilize two separate loan closings with two separate sets of legal documents. The first closing is to obtain the interim construction financing (and may include the purchase of the lot), and the second closing is to obtain the permanent financing upon completion of the improvements.

- Allows a borrower to choose an interim construction lender and a different lender for the permanent financing.
- Good option for when the borrower is seeking different terms than what is available at the time the construction loan is made.

6.5.1.3 *Allowable Age of Construction Permanent Documents*

Allowable Age of Construction Permanent Documents

All credit documents must be no more than four months old on the note date (that is, the closing date of the construction loan). Additionally, income, employment, and credit report documents must be no more than four months old at the time of conversion to permanent financing. As an exception, these documents may be more than four months but not exceeding 12 months old at the time of the conversion to permanent financing if all of the following conditions were met at the time of the original closing of the construction loan:

- The LTV, CLTV, and HCLTV ratios do not exceed 95%.
- The borrower has a minimum credit score of 700.
- The loan was underwritten through AUS and received an Approve or Accept/Eligible recommendation.
- Manual underwriting is not permitted.

If any of the above conditions was not met or an eligible loan term was modified subsequent to the last AUS submission, the lender must:

- obtain updated income, employment, and credit report documents no more than four months prior to conversion; and
- re-qualify the borrower(s) in accordance with the Requalification Requirements below.

Updated asset documentation is not required at the time of conversion to permanent financing (regardless of the age of asset documents) unless upon requalification, either of the following applies:

- more reserves are required than were required at the time of original qualification.
 - the full amount of reserves must then be reverified; or
- the borrower chooses to bring additional funds to the transaction.
 - the additional funds must come from an eligible source and be documented.

Requalification Requirements

Requalification of the borrower(s) is required at the time of conversion to permanent financing if.

- the LTV ratio increased due to a decline in property value.
- updated credit documents were obtained; or
- as otherwise required per the modified loan term in the table above.

To be eligible for purchase by FHLBank Indianapolis, the loan must retain an Approve/Eligible recommendation after resubmission to AUS.

When requalification is required

- the LTV ratio must be adjusted based on the updated appraisal, if applicable.
- if credit documents exceed the four - (or 12-) month age of documentation requirement, the updated income, credit, and liability information must be considered; and
- the loan data at delivery must match the data considered in the final requalification of the loan.

6.5.1.4 Escrow Holdback

Mortgages may be delivered before postponed items are complete; however, the postponed improvements must be completed within 180 days of the date of the mortgage note. Acceptable postponed items include items that:

- Are part of the sales contract (third-party contracts are not permissible).
- Are postponed only for grade and seed and/or inclement weather.
- Does not affect the ability to obtain an occupancy permit.

A certification of completion must be obtained to verify the work was completed and must:

- Be completed by the appraiser.
- State that the improvements were completed in accordance with the requirements and conditions in the original appraisal report; and
- Be accompanied by photographs of the completed improvements.

The cost of completing improvements must not represent more than 10% of the “as completed” appraised value of the property.

Sellers must establish a completion escrow for the postponed improvements by withholding from the purchase proceeds funds equal to 120% of the estimated cost for completing the improvements. However, if the contractor or builder offers a guaranteed fixed-price contract for completion of the improvements, the funds in the completion escrow only need to equal the full amount of the contract price.

Lenders and borrowers must execute an escrow agreement that states how the escrow account will be managed and how funds from the escrow account will be disbursed.

The completion escrow may not adversely affect the mortgage insurance or title insurance.

Once a certificate of completion is obtained, the lender must release the final draw from the escrow account, which should include any funds in excess of the amount needed to pay for completion of the postponed items.

Lenders must obtain a final title report, which must not show any outstanding mechanic’s liens, take any exceptions to the postponed improvements, or take any exceptions to the escrow agreement. If the final title report is issued before the completion of the improvements, lenders must obtain an endorsement to the title policy that ensures the priority of first lien.

6.6 Insurance

6.6.1 Mortgage Insurance

6.6.1.1 *Private Mortgage Insurance (PMI) Requirements*

1. All mortgages with an LTV greater than 80% are required to have PMI issued by a private mortgage insurer that, as of the delivery date, is approved by the FHLBank Indianapolis as a ‘qualified insurer.’ FHLBank Indianapolis will manage the approved list by making the qualified insurers available options within LAS.
2. The PMI must be in full force and effect as of the delivery date. PMI coverage must not be subject to any exclusion besides those exclusions stated in the PMI’s master policy. Coverage must run to the benefit of FHLBank Indianapolis.

3. The PMI must remain in force until canceled in accordance with the requirements of Section 10 of this Guide or pursuant to applicable law. The Seller must warrant that the mortgagor has been given all disclosures required by law, including, but not limited to, the Homeowners Protection Act of 1998 (HPA), relating to the terms on which mortgagor-paid PMI may be canceled.
4. PMI coverage must continue to be carried with the PMI provider that insured the mortgage when it was delivered to FHLBank Indianapolis.

FHLBank Indianapolis' PMI minimum coverage level requirements are as follows:

LTV	Loan Term Greater Than 20 Years	Loan Term Less Than or Equal to 20 Years
90.01%-95.00%	30%	25%
85.01%-90.00%	25%	12%
80.01-85.00%	12%	6%

FHLBank Indianapolis will not accept reduced PMI.

5. For a Conventional mortgage, the Seller normally must have possession of the PMI Certificate at the time the mortgage is delivered to FHLBank Indianapolis. However, some MIs issue original PMI Certificates by facsimile or email transmissions.
6. FHLBank Indianapolis accepts lender-paid PMI, provided that the premium is paid at the time of the loan closing and not from the monthly remittance.

6.6.1.2 *PMI Cancellations*

- Follow Fannie Mae/Freddie Mac underwriting Guidelines.

6.6.2 Property Title Requirements

First lien

The insured loan must be a first lien or the equivalent of a first lien on an improved 1-4 family residential property, modular home, condominium, or PUD.

Leasehold estate (ground rent)

1. If the property is subject to a ground lease, the terms must be typical and customary for the market.
2. If the terms of the ground lease are not typical for the market, the effect on marketability must be fully explained.
3. Residential improvements on leasehold interests must be legal security for a mortgage according to state statutes or governing law.
4. The terms of the lease may not impair the first lien status of the mortgage.
5. Generally, the term of the lease must be at least 15 years, without renegotiation of rent or lease payments during the lease term.
6. The lease must extend or be automatically renewable for a period of 10 years beyond the mortgage term.

Easements or Joint Party Agreement:

The marketability of a property may be limited by an easement or a joint party agreement covering the adjoining property, such as a common driveway or well. Such situations should be identified in the appraisal (or other acceptable alternative).

Private Transfer Fee Covenants

The Seller shall review title to all property securing the mortgage loans to be sold to FHLBank Indianapolis in MPP to identify each covenant that purports to run with the land or to bind current owners of and successors in title to the property, that obligates a Transferee or Transferor to pay upon transfer of an interest in all or part of the property, a transfer fee upon a transfer of title to the property each time the property is transferred (a Private Transfer Fee Covenant).

No mortgage loans on properties encumbered by Private Transfer Fee Covenants are eligible for purchase/sale into MPP program if the Private Transfer Fee Covenant became effective on or after February 8, 2011, unless the Private Transfer Fee Covenant meets each of the following conditions:

- a. Requires payment of a private transfer fee to a nonprofit mandatory membership organization comprising owners of homes, condominiums, cooperatives, manufactured homes, or any interest in real property created pursuant to a declaration, covenant or other applicable law; or an organization described in section 501(c)(3) or section 501(c)(4) of the Internal Revenue Code (each, an Association”); and
- b. Limits the use of such fees to support maintenance and improvements to the subject property, and acquisition, improvement, administration, and maintenance of property owned by the Association, including cultural, educational, charitable, recreational, environmental, conservation or other similar activities that:
 - i. Are conducted in or protect the burdened community or adjacent or contiguous property, or
 - ii. Are conducted on other property that is used primarily by residents of the burdened community.

Property Assessed Clean Energy (PACE)

FHLBank Indianapolis will not purchase mortgage loans secured by properties with an outstanding PACE obligation unless the terms of the PACE program do not permit priority over first mortgage liens. Sellers are responsible for monitoring state and local law to determine whether a jurisdiction has a PACE program that provides for lien priority.

6.7 Special Purpose Legal Documents

6.7.1 Power of Attorney

- Follow Fannie Mae or Freddie Mac Guidelines

7. Quality Assurance (QA) Program Requirements

7.1 Introduction

The Seller must have a written Quality Assurance (QA) Plan that is in compliance with FHLBank Indianapolis' requirements relative to FHLBank Indianapolis' origination, underwriting, closing, delivery, and servicing procedures, including FHLBank Indianapolis' *Anti-Predatory Lending Policy*.

One of the primary purposes of the QA Plan is to ensure that all loans originated and purchased:

- Conform to Seller policies
- Are of a quality acceptable to FHLBank Indianapolis
- Comply with insurer and regulatory requirements

7.2 Limitations and Restrictions

In addition to the QA Plan Guidelines provided in this section (Section 7), the following limitations and restrictions are highlighted:

The QA Plan must protect FHLBank Indianapolis from unacceptable risk; guard against errors, omissions, and fraud; and assure that prompt and effective corrective measures are taken when deficiencies are identified.

The QA Plan must monitor and evaluate the accuracy, validity, and completeness of a Seller's loan origination and servicing operations.

7.2.1 QA Plan Requirements

The QA Plan must have documented standards and procedures that satisfy each of the following areas of QA compliance:

1. The QA Plan must assure that the Seller's operating procedures are revised in a timely manner to accurately reflect changes in FHLBank Indianapolis, institutional, insurer, and secondary market requirements. Personnel must be notified of changes and the Seller is accountable for performance failures or errors.
2. The QA Plan may be drafted to meet the following requirements set forth in this section (Section 7) or may comply with the QA Guidelines of any one of the following agencies: Fannie Mae, Freddie Mac, or FHA.
3. The QA Plan should be kept current with the Seller's operating procedures and is subject to review by FHLBank Indianapolis at any time during the Seller's participation in MPP at FHLBank Indianapolis' request.
4. Sellers need to have the execution of IRS Form 4506-C with the IRS in their written QA Plan.
 - a. For all loans reviewed through the sellers own QA selection process, the review must include 24-month transcripts (executed 4506-C) from the IRS.

- b. For all loans that require tax returns (i.e., self - employed), Sellers must obtain 24-month transcripts (executed 4506-C) for the same tax years as documented by the borrower's tax returns in the underwriting file.
 - c. Transcripts must be obtained for all income types used in the underwriting process (personal and business, if applicable). If tax returns were required in the underwriting of the loan, the lender must obtain transcripts for the same tax years as documented by the borrower's tax returns.
5. Sellers to provide copies of their Bank Secrecy Act, Anti-Money Laundering and Office of Foreign Assets Control policy

7.3 QA Reviewers

1. The QA Plan must identify the individuals responsible for conducting the QA Plan.
 - a. The QA reviewers must be independent of the production, underwriting, and servicing departments of the Seller; can be internal or external (third-party) reviewers; and must report directly to the Seller's senior management.
 - b. QA reviewers must be knowledgeable in all areas of the Seller's production, underwriting, compliance, and servicing departments including all FHLBank Indianapolis, insurer, and regulatory requirements.

7.4 Corrective Action and Reporting

The QA Plan must identify the corrective actions and reporting that accompany the plan's execution.

1. The Seller's management must take prompt action to deal appropriately with material findings.
 - a. Finding responses must clearly identify actions to be taken, the timetable for their completion, and planned follow-up activities and recommendations.
 - b. Additionally, the Seller will notify FHLBank Indianapolis, in writing, within 30 days should management determine that a QA finding affects the investment quality or eligibility of a mortgage previously sold to FHLBank Indianapolis. This includes violations of law, false statements, patterns of non-compliance, and suspected fraud or program abuse.
2. Regular reports must be sent to senior management within 30 days of the completion of the report and within 90 days of the selection.

7.5 File Retention

The QA Plan must identify how files are stored and how long files are to be retained. All QA records must be kept for a minimum of three years, including all:

- Re-verifications
- Checklists
- Review results

- Procedural information
- Detailed records of any corrective action recommended and/or implemented.

These records must be made available to FHLBank Indianapolis upon request.

7.6 Sampling Requirements

The QA Plan must specify sampling requirements that include the following:

- The closed loans chosen for review must be selected on a regular basis (monthly or quarterly).
- Each review must document how the sample size and selections were determined.
- Each selection must reflect the entire scope of loans originated or purchased by the Seller and each selection should contain a representative sample of loans sold to FHLBank Indianapolis.
- At minimum, 10% of the loans should be selected each period, or if there are more than 7,000 loans originated in a given period, then an appropriately sized statistical random sampling may be used that provides a 95% confidence level with 2% precision.

The following are loan characteristics and components to consider when making the selection:

- Mortgage types
- Program types
- Property types
- Appraisers
- Real estate companies
- Builders
- Underwriters
- Processors
- Closing personnel
- Loan officers
- Loan to value categories
- Refers from automated underwriting

In addition, all loans in Early Payment Default must be reviewed.

The scope of the review must be expanded when fraud or patterns of deficiencies are uncovered. The scope must be expanded by an increase in files as well as more in-depth reviews.

7.7 Legal Document Review

The plan must define legal document review. At a minimum, the following legal documents must be reviewed and checked for accuracy and completeness, if applicable:

1. Note
2. Riders to Note
3. Mortgage
4. Riders to Mortgage
5. Mortgage Insurance Certificate (Private or FHA)

6. Title Commitment/Policy
7. Survey
8. Affidavit of Purchaser/Vendor
9. Truth in Lending Disclosures
10. Good Faith Estimate/Loan Estimate
11. HUD-1 Settlement Statement/Closing Disclosure statement
12. Rescission Notice
13. All applicable regulatory disclosures (Regulation Z, Regulation B, RESPA, and the Flood Act)
14. All State and Local Predatory Lending Laws and FHLBank Indianapolis's *Anti-Predatory Lending Policy*

Any discrepancies found during legal document review must be noted in the QA Report, which is to be reviewed by senior management so that corrections can be made.

7.8 Origination Document Review

The QA Plan must define the scope of the origination document review. At a minimum, the following origination documents must be reviewed for accuracy and completeness, if applicable:

1. Applications
2. Credit Report(s)
3. Verifications of Employment/Income (VOE)
4. Verifications of Deposit (VOD)
5. Loan Verifications
6. Appraisal
7. Purchase Agreement
8. Supporting Documentation
9. Required Disclosures
10. HUD LDP Lists
11. Automated Underwriting Data
12. Mortgage Delivery Data
13. Re-verifications
 - a. Written re-verifications must be attempted; however, verbal re-verifications may be completed on various documents when deemed appropriate based on the review of the information in the file or when written re-verifications are not possible or when suspicious issues arise from the review.
 - b. The re-verification must be compared to the original information in the file and any discrepancies should be noted.

7.8.1 Employment and Income

An attempt must be made to verify employment information for any/all borrowers whose income was used to qualify for the loan.

7.8.2 Assets

An attempt must be made to verify all deposit, gifts, or other assets when funds are needed to close and when the documentation allows for re-verification.

7.8.3 Mortgage and Rent

Written re-verifications of mortgage or rent must be performed when the mortgage or rent is not verified on the credit report.

7.8.4 Credit Reports

Unless the loan was a streamline refinance or was processed using an approved AUS, credit reports must be ordered based on the following criteria:

1. FHA loans require a three-merge credit report from another source other than the original reporting agency.
2. Conventional loans must receive a three merge on 10% of the selection and an in-file credit report from a competing agency on the remaining selection.
3. The results must be compared to the original credit report for any discrepancies.
4. Re-verifications must also be attempted on alternate credit sources.

7.8.5 Occupancy

In cases where occupancy of the subject property is suspect, an attempt must be made to determine whether or not the mortgagor is occupying the property. If it is found that the mortgagor is not occupying the property as a primary residence, this finding should be immediately reported to FHLBank Indianapolis.

7.8.6 Appraisals

Appraisal reviews must be completed on 10% of the Conventional loans in the selection and 10% of the FHA loans in the selection. The appraisal reviews must be completed by an independent fee appraiser who will complete an exterior inspection of the property and comparables and a thorough analysis of the original report.

Any discrepancy must be noted and reported immediately to FHLBank Indianapolis. A desk review must be completed on all other appraisals in the sample to review the appraisal data, validity of the comparables, value conclusion, and if repairs were required to meet minimum safety and soundness requirements.

Appraisals selected for field reviews may be based on the following factors:

1. Property complaints received from mortgagors.
2. Discrepancies found during desk reviews.
3. Large adjustments to value.
4. Comparable sales more than 6 months old.
5. Excessive distances from comparables to the subject property.
6. Repetitive sales activity for the subject property.
7. Investor sold properties.
8. Identity of interest between buyer and Seller.
9. Seller identity differs from owner of record.
10. Vacant properties.

11. Value increased 20% or more within 12 months of previous sale.

7.9 Underwriting Decisions

The QA Plan must define the scope of the review of underwriting decisions. The underwriting decisions must be monitored to ensure that the underwriters are familiar with the specific underwriting area, familiar with the agency/investor criteria, and that the conclusions are accurate, complete, and documented properly.

Each loan must be reviewed to ensure that it was properly underwritten, and that sound judgment was used in the underwriting process.

Loans must also be reviewed for compliance with investor, agency, insurer, and secondary market requirements.

Each loan selected must be reviewed to determine whether:

1. Conditions which were required to be satisfied prior to Closing were in fact met before Closing.
2. The Seller was the owner of record or was exempt for the owner of record requirement in accordance with HUD regulations.
3. The loan was closed, and funds disbursed in accordance with underwriting and subsequent closing instructions.
4. The closing and legal documents are complete and accurate.

7.10 Automated Underwriting

The QA Plan must define the scope of the review of automated underwriting decisions. Relative to any loan placed through an AUS, a data integrity check must be completed to be certain if the actual loan information matches the input to the automated system.

Specifically, the borrower, property, mortgage, income, assets and source of funds information must be verified. It must be assured that the automated assessment is included in the loan file in addition to normal required documentation. It is determined that when the automated system cannot approve the application, that the basis of the underwriter decision is documented.

7.11 QA Reviews

FHLBank Indianapolis will contract with a Quality Control Contractor (QCC) and perform QA reviews internally. These reviews will involve re-underwriting of a representative sample of the mortgages sold to FHLBank Indianapolis during the review period.

In addition, these reviews will perform a cursory check/test on the calculation of points and fees in relation to Seller's compliance with the new High-Cost Mortgage Regulations-HCM (formerly HOPEA) and points and fees testing under the new Qualified Mortgage Rules-QM.

Sellers must provide High Cost and QM testing worksheets that provide detailed input information for how the loan was evaluated for compliance during origination. The sample size shall be at the discretion of FHLBank Indianapolis but shall comply with all regulatory requirements. The Seller will facilitate such reviews by providing copies of mortgage files and documentation to the QCC or FHLBank Indianapolis upon request.

Files delivered to the QCC or FHLBank Indianapolis are generally reviewed within 120 calendar days of receipt. If any mortgage fails to meet FHLBank Indianapolis' requirements, the Seller will receive written notification of the defects and shall submit corrected documentation to FHLBank Indianapolis within 30 calendar days.

If the defects cannot be corrected, FHLBank Indianapolis may request that the Seller repurchase the mortgage, as specifically provided in [Section 18](#) of this Guide.

The QCC, FHLBank Indianapolis, and its agents shall also conduct periodic audits of the Seller's mortgage servicing and, if the Seller is acting as its own Document Custodian, custodial operations. The Seller will facilitate such audits and provide FHLBank Indianapolis and its agent's access to the Seller's offices, books, records, Electronic System and computer systems at reasonable times during normal business hours.

8. Servicer Approval and Transfers

All servicers must be approved by FHLBank Indianapolis and must submit required information to aid in the approval process. The Seller may transfer its servicing rights solely in accordance with this section ([Section 8](#)) and the Master Agreement.

8.1 Limitations and Restrictions

In addition to the Servicer Approval Guidelines provided in this section ([Section 8](#)), the following limitation is highlighted:

- FHLBank Indianapolis is not obligated to approve a servicer or a transfer of servicing.

8.2 FHLBank Indianapolis's Rights

FHLBank Indianapolis has the right to transfer servicing for cause from any purported Transferee of servicing including another Servicer that has purported to assume a Servicer's servicing obligations without FHLBank Indianapolis's prior written approval.

In addition, any such unauthorized transfer and assumption of servicing constitute grounds for suspension or disqualification of both the Transferor and purported Transferee as Seller/Servicers.

8.3 Servicer Approval Process

Seller/Servicers that are members of FHLBank Indianapolis should reference [Section 2](#) for approval requirements. To be considered for approval as a non-member requirements in [Section 2.1](#) must be met, with the exception of [Section 2.1\(1\)](#) and [Section 2.1\(7\)](#) as it relates to non-servicing related quality assurance requirements. FHLBank Indianapolis will perform due diligence using a risk-based approach to determine if a servicer is approved. The Servicer must be able to demonstrate the ability to effectively service mortgage loans by maintaining adequate staff and procedures. A \$3,000 nonrefundable application processing fee will be charged for processing servicer approval requests for non-members of FHLBank Indianapolis. Due diligence expenses will also be billed based on the cost incurred in performing the due diligence. FHLBank Indianapolis reserves the right to perform on-site reviews of new and ongoing servicers. FHLBank Indianapolis also reserves the right to approve servicing with conditions. FHLBank Indianapolis is not obligated to approve a servicer. FHLBank Indianapolis will not approve a servicer if FHLBank Indianapolis, in the exercise of its judgment and in its sole discretion, determines it is not in the best interests of FHLBank Indianapolis or determines that the servicer will not be able to adequately service the mortgages.

8.3.1 Non-Member Servicer Responsibilities

1. Providing requested information timely for servicer approval.
2. Complying with other requirements in this Guide, as applicable.
3. Complying with information security requirements, as applicable, in Appendix D.

8.3.2 Non-Member Servicer Approval

The non-member Servicer approval process will focus on, but is not limited to:

- Financial capacity to honor contractual obligations
- Compliance with legal and regulatory requirements
- Capabilities and ability to perform servicing
- IT Security and internal controls
- Insurance coverage
- Existence of any outstanding obligations (such as repurchases)
- Delinquency and Real Estate Owned (REO) Ratios
- Information security standards in Appendix D

Application for approval for a non-member servicer must be requested, with all documentation requirements in [Section 8.3.2](#) submitted to FHLBank Indianapolis, a minimum of 90 days before any loan servicing will occur.

8.3.3 Non-Member Servicer Documentation Requirements

A potential non-member servicer must submit the following items to FHLBank Indianapolis for servicer approval:

1. Servicer Approval Questionnaire, as applicable
2. Completed registration on FHLBank Indianapolis' supplier portal at www.fhlbi.com
3. Most recent Servicing Guide and/or procedures
4. Quality control procedures
5. Organizational Chart
6. Resumes of key personnel
7. SSAE 16 Service Organizational Controls "SOC" (preferably type 2 or alternative reports)
8. Business Continuity Plan
9. Most recent three years of audited financial statements
10. Overview of company
11. Details of servicing experience and history
12. Information on corporate structure (subsidiaries, parent company, etc.) and geographic location
13. Provide details of any sub-servicers or outsourced vendors that will be used to service loans owned by FHLBank Indianapolis
14. Documentation related to strategic business arrangements (such as mergers, acquisitions, divestitures, joint ventures, etc.)
15. Description of procedures and systems, including copies of relevant policies
16. Results of recent internal and external audit reports, including GSE reports, if applicable
17. Documentation of how security of borrower data and confidentiality is addressed.
18. Details of any regulatory enforcement actions or litigation
19. Provide a breakdown of existing serviced loans by loan type
20. Additional items may be requested based on the level of due diligence needed.

8.3.4 Additional Required Documents for Non-Member Servicers

A duly authorized officer of the non-member servicer must execute and submit the following documents, correct, and complete in all material respects, to FHLBank Indianapolis:

1. A copy of a corporate resolution in a form acceptable to FHLBank Indianapolis
2. Custodial Agreement(s), as applicable
3. Consent and acknowledgement of servicing transfer, as applicable

8.4 Servicing Transfers

A transfer of servicing can result from either of three actions:

- A negotiation for the sale of a servicing portfolio from one party (Transferor) to another (Transferee).
- Certain changes in ownership of a Seller/Servicer that result in a conveyance or other transfer, in effect, of servicing duties and responsibilities set forth in the documents with respect to mortgages purchased through MPP.
- Changes in the operational aspect of servicing or sub-servicer changes with initial servicer approval that was contingent on a specific sub-servicer performing the servicing.

8.4.1 Submitting Requests for Transfers of Servicing

The Transferor and Transferee must obtain FHLBank Indianapolis' written approval before the transfer takes place. Prior written approval is required, regardless of whether the transfer is initiated or requested by a Servicer or any other party, such as a conservator, receiver, or liquidator of the Servicer.

The Transferor must complete and submit the following items to FHLBank Indianapolis at least 60 days before the requested Transfer Date:

1. A nonrefundable \$500 processing fee to FHLBank Indianapolis.
2. Written notice of the intent to transfer, noting the names of the transferee and transferor, any sub servicers, and the proposed transfer date.
3. List of mortgages to be transferred. Transfer requests must include all outstanding loans within a selected MDC. The loans in MDCs may not be split between servicers.

The Transferee must be approved as a servicer. Refer to [Section 2](#) for the approval process for FHLBank Indianapolis members and [Section 8.3](#) for approval of non-member servicers.

MPP will indicate approval, if appropriate, by providing an approval letter to the Transferor and the Transferee.

FHLBank Indianapolis reserves the right to deny a transfer of servicing request. FHLBank Indianapolis may provide written notification of the denial but is not obligated to provide a reason for denial.

8.4.2 Review of Transferor and Transferee

FHLBank Indianapolis will collaborate with the Transferor and Transferee to approve a transfer of servicing but reserves the right to approve with conditions. FHLBank Indianapolis is not obligated to

approve a transfer of servicing. FHLBank Indianapolis will not approve a transfer of servicing if FHLBank Indianapolis, in the exercise of its judgment and in its sole discretion, determines that such a transfer is not in the best interests of FHLBank Indianapolis or determines that the Transferor or Transferee will not be able to adequately service the mortgages remaining in the post-transfer portfolios.

The Transferor and Transferee must be approved Servicers in accordance with [Section 8.3](#) for non-members and [Section 2](#) for members and must be in compliance with all requirements of MPP Documents. When reviewing a transfer of servicing request, MPP will review both the Transferor and the Transferee.

8.4.3 Delinquency Reporting

MPP requires the Transferee to perform a due diligence review on the loans in the transfer and on Custodial Accounts and to be aware of any obligations of the Transferor under MPP Documents.

8.4.4 Due Diligence

The Transferee's due diligence efforts should include, but are not limited to, a review of the following information that the Transferor may provide:

1. Reports and data that confirm and support information provided by the Transferor.
2. Pertinent reports prepared by internal or external auditors, including any recently completed MPP audit.

8.4.5 Mortgage Insurance (MI) Coverage

The transfer must comply with the requirements of each mortgage insurer that insures any of the mortgages. Before the transfer occurs, the Transferor must obtain a commitment from each mortgage insurer to continue to provide coverage required by FHLBank Indianapolis for the benefit of the Transferee.

If any mortgage insurer will not continue to provide coverage for the benefit of the Transferee, the Transferor must obtain a written commitment by another mortgage insurer to provide equivalent coverage.

8.4.6 Reporting to FHLBank Indianapolis

1. Servicing Reporting:

Beginning with reports due for the reporting cycle immediately following the effective Date of Transfer, the Transferee must submit all servicing reports in their name and Seller/Servicer number of the Transferee.

2. Accounting Reporting and Remitting:

- a. All of the following must be reported and remitted by the Transferor:

- i. Payoffs for which the payoff date is before the effective Date of Transfer.
 - ii. Third-party foreclosure sales for which the Sale Date is before the effective Date of Transfer.
 - iii. Reports and funds due for the accounting cycle cutoff date immediately preceding the effective Date of Transfer.
- b. All of the following must be reported and remitted by the Transferee:
- i. Payoffs for which the payoff date is on or after the effective Date of Transfer.
 - ii. Third-party foreclosure sales for which the sale date is on or after the effective Date of Transfer.
 - iii. Reports and funds due for the accounting cycle cutoff dates following the effective Date of Transfer.

3. Written Certification:

The Transferee, as a condition of the transfer, agrees to provide to FHLBank Indianapolis written certification of the completion of the transfer within 30 days after the effective Date of Transfer. The certification must state that the Transferee:

- a. Has received and possesses all funds and records (such as documents, books of account, and files) required by MPP Documents to be transferred in connection with a transfer of servicing.
- b. Has had an opportunity to examine such records.
- c. Has determined that such records are correct.
- d. Assumes full responsibility and liability for the correctness of such records.

8.4.7 Transfer of Mortgage and REO Files

No later than 30 days after the effective Date of Transfer, the Transferor must deliver to the Transferee the following records for each mortgage and REO for which Servicing is transferred:

1. Mortgage File:

The mortgage file that the Servicer is required to maintain in accordance with the Guide.

Note: If the Transferee does not maintain the same form of documents and records storage (photographic, photo static, microfilm, microfiche, electronic imaging, optical disk, or laser disk storage) as the Transferor, then the Transferor must either convert the documents and records to the form of storage utilized by the Transferee or generate paper copies of all documents and records for the Transferee.

2. Payment History:

The complete history of mortgage payments and, if applicable, escrow disbursements (including the most recent escrow analysis), with supporting documentation, from the origination date of the mortgage.

3. Correspondence and Reports:

Copies of all correspondence with, and reports to, the borrowers and, as applicable, FHA, MI, FHLBank Indianapolis, and any government authority.

4. **Notice of Transfer:**

A copy of the notice to the borrowers regarding the transfer of servicing.

5. **REO History:**

If REO is being serviced, the complete history of receipts, expenditures and management, and marketing activities (including copies of any filed PMI or SMI claims), with supporting documentation, from the date the REO was acquired.

8.4.8 Transfer of Portfolio Records

No later than the effective Date of Transfer, the Transferor must deliver to the Transferee the following records for the mortgages and REO for which Servicing is transferred:

1. **Notices to Third Parties:**

Including documentation of PMI approval and commitment to insure.

2. **Service Contracts:**

Copies of tax and flood hazard determination service contracts, if applicable.

3. **Unpaid Charges:**

A list of escrowed charges due and unpaid as of the effective Date of Transfer.

4. **Trial Balances:**

Trial balances, as of the close of the last business day immediately preceding the effective Date of Transfer, showing the following:

- a. Transfers of ownership, payoffs, and other Servicing exceptions in process.
- b. Escrows, escrow advances, and prepayments.
- c. Buy down accounts and balances, where applicable.
- d. Delinquencies, foreclosures, bankruptcies, and REO.

5. **Automatic Payments:**

A list of mortgages subject to automatic drafting of monthly payments.

6. **Insurance Policies:**

A list of mortgages showing expiration dates of the insurance policies on the Mortgaged Premises, whether or not premiums for these policies were escrowed by the Transferor.

7. **Other Documents:**

Ledger records and definitions of codes used in ledger records, trial balances, or any other documents required by FHLBank Indianapolis to be transferred to the Transferee.

8. **Custodial Accounts:**

A copy of the depository's reconciliation, as of the close of the Transferor's last business day immediately preceding the effective Date of Transfer, for each P&I and escrow custodial account.

9. **FHLBank Indianapolis Reports:**

Copies of all Servicing and accounting reports filed with FHLBank Indianapolis for the three (3) months immediately preceding the effective Date of Transfer.

8.4.9 Transfer of Funds

1. **General:**

All account balances (including, but not limited to, escrows, prepayments, and buy down funds) must be transferred to the Transferee's designated depository. A final reconciliation of all monies relating to the transfer must be made by the Transferor on the effective Date of Transfer.

2. **Escrow Accounts:**

The Transferor must forward the entire balance of all Custodial Accounts related to Escrows, buy down funds, repair accounts, and replacement reserves (net of documented advances) to the Transferee's depository on the effective Date of Transfer.

3. **Interest:**

Delinquent interest advanced to MPP by the Transferor as of the effective Date of Transfer net of prepaid interest must be reimbursed to the Transferor by the Transferee no later than the date the funds are due to FHLBank Indianapolis.

4. **Principal:**

Delinquent principal advanced to FHLBank Indianapolis by the Transferor as of the effective Date of Transfer net of prepaid principal must be reimbursed to the Transferor by the Transferee no later than the effective Date of Transfer.

8.4.10 Note Endorsements and Assignment of Security Instruments

At the time the mortgage is sold to FHLBank Indianapolis, the Seller must endorse the note in blank in accordance with this Guide. When a transfer of servicing occurs, the Transferor Servicer cannot complete the blank endorsement or further endorse the note. The note should remain in its endorsed in blank state.

The Transferor Servicer must prepare and complete assignments according to the following requirements:

1. For mortgages not registered with the Mortgage Electronic Registration Systems, Inc. (MERS), the Transferor must record any intervening assignments to complete the chain of assignments from the original mortgagee to the Transferor. The Transferor must then assign the Security

Instruments to the Transferee and record the assignments. An assignment from the Transferee in blank in recordable form (but unrecorded) should also be prepared and placed in the file.

Copies of all assignments sent to the county recorder's office as well as the unrecorded final assignment in blank should be delivered to the Transferee's Document Custodian to be verified and re-certified in accordance with the requirements of this Guide.

In addition, the Transferor must recover and destroy any original unrecorded assignments to FHLBank Indianapolis that may have been prepared.

2. If the Transferee is a MERS member, and the loans are registered with MERS (either as MOM loans (MERS as Original Mortgagee) or as loans that have been assigned to MERS), no further assignment is needed. The Transferor must notify MERS of the transfer of servicing by changing the Servicer of record on the MERS system for each loan.
3. If the Transferee is not a MERS member, and the loans are registered with MERS (either as MOM loans or as loans that have been assigned to MERS), then the Transferor must prepare and record an assignment of the Security Instrument (on behalf of MERS) from MERS to the Transferee and record that assignment. An assignment from the Transferee in blank in recordable form (but unrecorded) should also be prepared and placed in the file.

Copies of all assignments sent to the county recorder's office as well as the unrecorded final assignment in blank should be delivered to the Transferee's Document Custodian to be verified and re-certified in accordance with the requirements of this Guide.

8.4.11 Document Custody Requirements

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 collaborate with the Transferor, the Transferee, the Transferee Document Custodian, and FHLBank Indianapolis 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 FHLBank Indianapolis' 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 custodial 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 FHLBank Indianapolis 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.

8.4.12 Notice to Borrowers

1. **Transferor's Notice to the Borrower:**

The Transferor must provide timely notice to the borrowers to ensure a smooth transition, avoid disruption in mortgage payments and comply with applicable laws and regulations. The Transferor must provide written notice to each borrower at least 15 days before the first payment is due to be received by the Transferee.

2. **Transferee's Notice to the Borrower:**

The Transferee must provide to each borrower written confirmation of the information in the Transferor's notice to the borrowers within 15 days before the date the first payment is due to be received by the Transferee.

3. **Notice Requirements:**

The notice must advise the borrower of the following:

- a. Effective Date of Transfer.
- b. Name and address of the Transferee.
- c. Names and telephone numbers of the contact persons or departments of the Transferor and of the Transferee where the borrowers' inquiries relating to the transfer should be directed. (If toll-free numbers are not available, the letter must indicate that collect calls are accepted.)
- d. Date when the Transferor will no longer collect the borrowers' payments and when the Transferee will begin to collect them.

- e. Any previously escrowed optional mortgage life or accident and health insurance for which the Transferee will not assume responsibility, with appropriate suggestions or instructions for the borrower to continue such coverage.
- f. Procedures for maintenance of automatic draft payments, if applicable.

The notice may not amend the terms of a mortgage other than those relating to where to send payments.

8.4.13 Borrower Issues and Inquiries

The Transferor and Transferee must ensure that their staff and facilities are adequately prepared to process Servicing and accounting transactions and to respond to borrower inquiries during the transfer transition period. The Transferee must assume responsibility for responding to borrower inquiries received after the effective Date of Transfer.

Note: If any servicing or accounting problem cannot be resolved without the involvement of the Transferor; the **Transferee**, not the borrower, should initiate the contact with the Transferor.

During the transfer transition period, the Transferor and Transferee must make reasonable efforts to resolve disputes to the borrowers' satisfaction when such disputes arise from legitimate borrower misunderstanding of instructions in the notice of transfer of servicing. Late charges must be waived and, if applicable, appropriate adjustments to payment and credit records made for misapplied or unapplied payments due to the Transferee but received by the Transferor.

8.4.14 Funds and Correspondence Received after Transfers of Servicing

Within one day of receipt, the Transferor must deliver to the Transferee any funds for, or correspondence regarding, any of the transferred mortgages and REO received on or after the effective Date of Transfer.

8.4.15 Notices to Third Parties

The Transferor must obtain the following approvals and provide the following notices, as applicable:

1. Mortgage insurer approval and commitment to insure.
2. Advise all applicable property insurers including, if applicable, Federal Emergency Management Agency (FEMA), of the transfer and of the name and address of the Transferee to modify the mortgage clause.
3. Provide the required notices to FHA, if applicable.
4. Notify all other appropriate parties, including, but not limited to:
 - Mortgage life and/or accident and health insurers
 - Tax and flood hazard determination services
 - Tax authorities
 - HOAs
 - Fee owners for leasehold mortgages

- Other lien holders and public utilities levying mandatory assessments for which escrow is collected.

8.4.16 Liability of the Transferor and Transferee

1. **Warranties**

For transfer of servicing requests received by FHLBank Indianapolis, the Transferee is liable to FHLBank Indianapolis for all sale and Servicing representations, covenants, and warranties in MPP Documents with respect to the mortgages and REO for which Servicing is transferred, whether or not the Transferor had such liability.

2. **Hold Harmless**

The Transferor and the Transferee, jointly and severally, fully indemnify and agree to hold FHLBank Indianapolis, its successors and assigns, harmless from and against any and all losses, claims, demands, actions, suits, damages, costs, and expenses (including reasonable attorney fees) of every nature and character that may arise or be made against or be incurred by FHLBank Indianapolis as a result of the Transferor's or the Transferee's failure to comply with applicable law or failure to comply with FHLBank Indianapolis 's Servicing requirements as set forth in MPP Documents, including, but not limited to failure to provide the notices, failure to make any payment to the appropriate parties for which escrow is collected, and failure to credit properly any payments received from borrowers.

3. **Servicing**

The Transferee hereby agrees to service the mortgages in accordance with the terms of the MCC, this Guide, and all applicable MPP Documents, all of which are fully incorporated herein by reference.

9. Remittance Schedule

9.1 Scheduled/Scheduled

1. The Servicer must make all required payments to FHLBank Indianapolis by the 18th calendar day of each month or the next business day if the 18th is not a business day, as specifically provided in [Section 14](#) of this Guide.
 - a. FHA remittance is the 15th calendar day of each month.
2. In case of shortfalls in collections on the mortgages, the Servicer must supply, from its own funds, amounts necessary to pay FHLBank Indianapolis the amounts to which it is entitled under the mortgages on a timely basis.

This may include a shortfall of interest from loans paid in full prior to the scheduled maturity date and curtailments (other than curtailments on payments that are prepaid).
3. In any event in which the Seller advances its own funds on behalf of a mortgagor, the Servicer shall not be entitled to exercise the rights of FHLBank Indianapolis in connection with such advance until the Seller has repurchased the mortgage from FHLBank Indianapolis or FHLBank Indianapolis has been paid in full all amounts due or to become due under such mortgage. Such advances shall then be reimbursed as provided in [Section 14.1.4](#) of this Guide.

9.2 Actual/Actual

1. The Servicer must make all required payments to FHLBank Indianapolis by the 18th calendar day of each month or the next business day if the 18th is not a business day, as specifically provided in [Section 14](#) of this Guide.
2. All principal and interest (net of servicing fee) received by the Seller/Servicer must be transferred to the actual/actual P&I custodial account at FHLBank Indianapolis within two business days of receipt from the borrower.

10. Servicing Guidelines

10.1 Limitations and Restrictions

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 FHLBank Indianapolis approval.
 - The cost of property inspections is not reimbursable by FHLBank Indianapolis.
2. eNotes. To be eligible to service eNotes for FHLBank Indianapolis under the MPP Program, a Servicer must be separately approved in writing by FHLBank Indianapolis, 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.

10.2 Mortgage Servicing and Administration

GSE servicing guidelines are an integral part of MPP. To the extent that certain servicing matters are not covered in this Guide, GSE servicing guidelines, under which the mortgage would be eligible for sale to that GSE, should be followed.

Sellers and Servicers are expected to obtain current GSE guidelines from Fannie Mae or Freddie Mac and receive announcements and updates as they are released. Sellers need not be approved Sellers or Servicers of other GSEs to obtain the guidelines. Access to the guidelines is available through a subscription to AllRegs, which is available at www.allregs.com. Wherever this Guide and GSE guidelines may be in conflict, this *MPP Guide* shall supersede the GSE guidelines.

Servicing Responsibilities:

- a. For as long as FHLBank Indianapolis owns the mortgages, the Servicer of record is responsible for servicing the mortgages in accordance with FHLBank Indianapolis Guidelines, this Guide, the MCC, the Master Agreement, all other Program Documents, GSE Guidelines, and submitting monthly reports (accounting and servicing reports) to the Master Servicer.
- b. Accounts and records relating to the mortgages must be maintained according to generally accepted accounting practices in a manner that permits FHLBank Indianapolis' representatives to examine and audit them.
- c. The Servicer must keep PMI in effect that existed when FHLBank Indianapolis purchased the mortgage until such time that the borrower's equity equals 80% LTV or below, or as otherwise required by law, and evidence of such insurance must be obtained by the Servicer and retained in its files.

- d. When payment of an annual mortgage insurance premium is required, the Servicer should use the funds in the mortgagor's Escrow Custodial Account to pay the premium. If the Escrow Custodial Account balance is not sufficient to pay the PMI premium, the Servicer must advance its own funds to pay such premiums, and such advances may then be reimbursed in accordance with the provisions of [Section 14](#) of this Guide.
- e. The Servicer agrees to automatically cancel the PMI according to applicable law. Servicer also agrees to process Borrower-requested PMI cancellation according to applicable law and GSE Guidelines.
- f. The Servicer must establish and maintain proper P&I custodial deposit accounts and escrow custodial deposit accounts for the mortgages which must be balanced monthly with the corresponding servicing accounting records.
- g. The Servicer must collect each mortgagor's monthly principal, interest, escrow payments, and all other payments and recoveries with respect to the mortgages and must deposit them into the P&I Custodial Accounts and Escrow Custodial Accounts for the mortgages.
- h. Every month, the Servicer must submit detailed accounting and servicing reports for all mortgages to the Master Servicer in the format specified in [Section 17.2](#) of this Guide.
- i. The Servicer may transfer Custodial Accounts, Document Custodian responsibilities, and subcontract servicing responsibilities only with prior FHLBank Indianapolis approval. If FHLBank Indianapolis approves the transfer, the Servicer shall continue to make all representations and warranties as contained in this Guide and applicable Program Documents for the life of the mortgages.
- j. The Servicer shall obtain the services of an eligible Document Custodian for the mortgages, such eligibility to be approved in writing in advance by FHLBank Indianapolis.
- k. The Seller or Servicer shall provide the documents required to be in the custody file to the Document Custodian in accordance with the requirements in Appendix A.
- l. The Seller may transfer servicing at time of sale by participating through the Servicing Released Program or at a later date only with prior FHLBank Indianapolis approval. Please see [Section 8](#) of this Guide regarding the sale and transfer of servicing.
- m. On Thursday, March 9, 2012, the U.S. government and 49 State Attorney's General announced proposed settlements (collectively, the "Settlements") with the five largest home mortgage servicers, including GMAC/Ally Financial, Bank of America, Citigroup, JPMorgan Chase Bank, Wells Fargo, and certain of their respective affiliates (collectively, the "Servicers"), regarding allegations of "robo-signing" and other alleged improper practices in foreclosures and in home mortgage servicing by the Servicers.

In the Settlements, the Servicers agreed to provide relief to homeowners, refinance "underwater" homes, reform mortgage servicing, submit to monitoring, and make payments to various parties.

FHLBank Indianapolis is not party to any of the Settlements, and FHLBank Indianapolis' rights under all applicable servicing agreements and the MPP Guide remain unchanged by the Settlements.

Since the inception of MPP, FHLBank Indianapolis has required its servicers to fully comply with all applicable laws in performing their contractual duties. Servicers of FHLBank Indianapolis-owned loans should act to ensure their continuing compliance with all applicable laws and to collaborate with borrowers toward acceptable arrangements subject to FHLBank Indianapolis approval that will

help the borrower avoid foreclosure. The Servicers' obligations under the Settlements remain subject to the terms of the *MPP Guide* and the servicing agreements in effect with such servicers.

FHLBank Indianapolis will continue to review loan modification requests on a case-by-case basis to assist those borrowers that have experienced reduced income after the closing of their mortgage, while also taking into consideration the unique cooperative structure of FHLBank Indianapolis. Borrowers that may benefit from a loan modification would typically be those that have experienced a loss or decline of income since the loan was originated under MPP. Loan workout modifications require the approval of FHLBank Indianapolis as specified in [Section 10.2.9](#) of this Guide.

- n. Servicers must periodically check Mortgage Loans against the current OFAC SDN List and immediately notify the FHLBank Indianapolis if a match is discovered. The notice must include the Borrower's name, the MPP loan number, and the Servicer's contact information.

If it is necessary for the eNote to be converted from an electronic document to a paper document, the servicer shall notify FHLBank Indianapolis at defaultreporting@fhlbi.com for prior approval. Once approved, the servicer shall perform the irreversible conversion to a paper document by following the related laws to ensure the validity and enforceability of the paper Note.

10.2.1 Servicing Loans under MCCs with SMI

FHLBank Indianapolis will arrange for SMI on behalf of the Seller, if applicable. Refer to the Mortgage Guaranty Insurance Corporation (MGIC) [Default Servicing Guide](#) or [Genworth Servicing Guide](#) as applicable for complete details of the supplemental mortgage insurance servicing process.

1. The Servicer will comply with and perform all duties on behalf of FHLBank Indianapolis (the insured) required by the SMI provider and PMI under SMI and PMI policies, including, without limitation, acting as the representative of the insured (and the insured's designee, if any) and will bind the insured and its designee for all purposes of the policies, including providing information to the SMI provider and PMI providers, receiving any notices, paying premiums, accepting loss payments, and performing any other acts required under the policies.

The Servicer is responsible for performing the following:

- a. The Servicer agrees to notify the SMI provider and PMI providers in the event servicing rights are sold, assigned, or transferred.
- b. The Servicer agrees to initiate any and all proceedings in accordance with the terms of the policies in regard to defaults and foreclosures and to diligently pursue the proceedings once they have begun.
- c. Claims to the applicable PMI and SMI provider for any loss incurred must be submitted by the Servicer within 30 days of liquidation of the property.
- d. Any eligible claims not reimbursed by the PMI and/or SMI provider must be submitted by the Servicer to FHLBank Indianapolis within 30 days of final claim notification from PMI and/or SMI provider.

2. The Servicer represents that all of the following conditions have been met:
 - a. All statements made and information provided to the SMI provider or PMI provider in relation to a policy or claim are supported by statements and information in the loan file.
 - b. No statements made or information provided to the SMI provider and PMI provider are false or misleading in any material respect.
 - c. The mortgage complies with any eligibility criteria required by the SMI provider and PMI provider in effect at the time the SMI and PMI are applied for.

10.2.2 Servicing Loans under MCCs without SMI

1. The Servicer will comply with and perform all duties as required by FHLBank Indianapolis including, without limitation, receiving any notices, paying premiums, accepting loss payments, and performing any other acts required under the Program Documents. Refer to [Section 16](#) for details on servicing delinquent loans without SMI.

Additional Servicer duties include:

- a. The Servicer agrees to notify FHLBank Indianapolis in the event servicing rights are sold, assigned, or transferred.
 - b. The Servicer agrees to notify FHLBank Indianapolis of any Default on a loan and initiate any and all proceedings in regard to Defaults and foreclosures and to diligently pursue the proceedings once they have begun, obtaining FHLBank Indianapolis' approval of Deeds-in-Lieu, assumptions and sales of properties.
 - c. The Servicer shall submit a claim to FHLBank Indianapolis for any loss incurred within 30 days of liquidation of the property.
 - d. The Servicer must submit to FHLBank Indianapolis any eligible claims not reimbursed by the PMI provider within 30 days of final claim notification from PMI provider.
2. The Servicer represents that all of the following conditions have been met:
 - a. All statements made and information provided to FHLBank Indianapolis in relation to a claim are supported by statements and information in the loan file.
 - b. No statements made or information provided to FHLBank Indianapolis are false or misleading in any material respect.
 - c. The mortgage complies with any eligibility criteria required by the PMI provider in effect at the time the PMI is applied for (if applicable).

10.2.3 Non-Delegable Duties

The Servicer may not delegate or transfer to a subcontractor (through a POA or otherwise) its obligations to perform any of the following functions:

- Withdrawing funds from a P&I Custodial Account for any purpose.
- Signing any accounting reports and certifications to FHLBank Indianapolis.
- Requesting the release of documents from the Document Custodian.

10.2.4 Required Record Keeping

The Servicer must perform the following record keeping duties:

1. Retain records for each mortgage for the life of the mortgage. These records must accurately reflect the application of each monthly installment and any un-recovered advances.
2. Maintain records of all disbursements for taxes, insurance premiums, and all other expenses while the mortgage is being serviced for FHLBank Indianapolis.
3. Retain all escrow and expense disbursement records and related bank statements pertaining to the mortgages in accordance with FHLBank Indianapolis requirements and practices generally accepted in the mortgage lending and servicing industries.
4. Retain a copy of all credit and closing documents that were used in the approval, closing and purchase of each loan.

10.2.4.1 Monthly Reporting Requirements

Each Servicer must submit loan-level data to the Master Servicer on a monthly basis, specifically found in [Section 17](#) of this Guide and Appendix C.

10.2.5 Mortgage Administration Costs

The Servicer is responsible for all administration costs associated with the mortgages including those associated with:

- Servicing the mortgages
- Processing foreclosures
- Preparing and submitting reports and records required by FHLBank Indianapolis and the SMI, (if applicable).

10.2.6 Pledging Servicing Rights

1. The Seller and/or Servicer may pledge the servicing rights to all or part of its portfolio of mortgages.
2. The Seller must obtain approval from FHLBank Indianapolis before pledging the servicing rights on the mortgages that it is servicing for FHLBank Indianapolis.
3. A Consent and Acknowledgement of Servicing Transfer Agreement must be completed in a form that is acceptable to FHLBank Indianapolis prior to pledging servicing rights.

10.2.7 Servicing Fees

The Servicer may retain a servicing fee for servicing the mortgage from interest payments actually collected from a mortgagor. The applicable servicing spread from which the servicing fee is determined for each mortgage is specified in the MCC and the MDC.

The servicing fee may be withheld at the time an installment is collected. All remaining collections must be deposited directly to the P&I Custodial Account.

10.2.8 Inspection of Properties

The Servicer must ensure that mortgaged properties are occupied and are being properly maintained. Under certain circumstances this will require inspection of the property. The Servicer must be able to certify that any required inspections were made at FHLBank Indianapolis request.

10.2.8.1 Inspection Requirements

When possible, the Servicer's inspection should include the interior of the property. All inspections, regardless of purpose, must be documented and be made part of the individual loan file but need not be forwarded to FHLBank Indianapolis, except as described below. The cost of property inspections is not reimbursable by FHLBank Indianapolis.

Note: The cost of property inspections is not reimbursable by FHLBank Indianapolis.

1. Current loans:

Property securing a current loan should be inspected immediately when the Servicer learns the property may be vacant and/or believes it is necessary to preserve the value of the security or that FHLBank Indianapolis's interest in a property may be jeopardized due to negligence or Default on the part of a borrower in any of the terms of the loan other than delinquency.

Action is not required when an inspection finds that repairs are unnecessary, are minor, or will not cause deterioration. However, if the inspection indicates deterioration has occurred, or repairs of an urgent nature are required to restore the property to a habitable condition or to correct a condition which might lower the value of the property, the borrower must be reminded of the obligation to make such repairs.

In addition, when a code violation notice is received, the Servicer should immediately contact the borrower and make arrangements for repairs necessary to fulfill the code requirements. In either case, the Servicer should document the loan files regarding all contact with the borrower and any arrangements made.

The Servicer must follow up until the repairs are completed or the borrower's refusal or inability to make the repairs is established. If the latter occurs, the Servicer should send FHLBank Indianapolis a property inspection with pictures and a recommendation. If emergency repairs are required, the Servicer must make the repairs and is authorized to spend up to \$1,000 for each

property. Sums in excess of \$1,000 for any property require FHLBank Indianapolis's prior approval.

When requesting reimbursement for advance for repairs, the Servicer must submit a property inspection with photos and a statement of expenses. All invoices and statements must accompany the statement of expenses. The Servicer must verify that the mortgage insurer approved all advance expenditures before they were incurred whenever such prior approval is required.

2. **Vacant or Abandoned Properties:**

Whenever a mortgaged property is found to be vacant or abandoned, the Servicer must perform all of the following:

- a. Attempt to locate the borrower and determine the reasons for the abandonment or vacancy.
- b. Arrange for the protection of the property from vandalism or damage by the elements, including winterizing the property if necessary.
- c. File the appropriate notice with the mortgage insurer, if any, as soon as the Servicer has established, by a thorough investigation, that the borrower has abandoned the property. Full details of the Servicer's investigation and conclusions must be reported immediately on a property inspection with a recommendation. An option available for delinquent loans when the property has been abandoned may be commencing foreclosure.
- d. Notify the hazard insurance carrier to ensure the proper endorsement is made so that coverage is maintained.

10.2.9 Loan Modifications

Note: All modifications require prior approval from FHLBank Indianapolis.

10.2.9.1 *Modifications Due to Curtailments*

1. In the event of a curtailment, the Servicer may find it necessary to recast the existing P&I to accommodate a mortgagor request. A recast may be allowed provided that there are no changes to the original terms of the loan and the UPB would be reduced by \$10,000 or more.
2. In order to recast the P&I, the Servicer must request a recast authorization from FHLBank Indianapolis in writing. The request must include the amount of the principal curtailment and the new P&I amount. Once the request is received by FHLBank Indianapolis, it will be reviewed, and a written response is issued for approval or denial by FHLBank Indianapolis.
3. To qualify for a modification due to a curtailment, the loan must be current, and no other modifications are permitted that would change the applicable mortgage interest rate, defer, or forgive the payment of any principal or interest, reduce the outstanding principal balance (except for actual payments of principal), or extend the final maturity date.
4. Once the loan modification is complete, the Servicer must provide a copy of the executed modification agreement to FHLBank Indianapolis and the Master Servicer.

10.2.9.2 Modifications for Purpose of Loss Mitigation

1. In the event of missed payments or imminent default, the Servicer may offer the borrower a loan modification to mitigate loss. This type of loan modification may be allowed provided that there are no changes to the original interest rate of the loan and the loan modification is approved in writing by the applicable SMI provider, if applicable, and FHLBank Indianapolis.
2. For a loan modification review, the Servicer must perform all of the following:
 - a. Analyze the borrower's financial situation, verify proposed modification is affordable and reasonable and assess his or her intention toward the mortgage obligation.
 - b. Determine the value and condition of the collateral which secures the loan.
 - c. Manage the foreclosing process to ensure that expenses and accruing interest are minimized.
 - d. Verify clear and marketable title as soon as legally possible.
3. In order to modify the loan, the Servicer must request an approval from both the SMI provider, if applicable, and FHLBank Indianapolis in writing. The request must be filled out on the applicable SMI provider's loan modification form and be documented appropriately. Once the request is received by FHLBank Indianapolis, it will be reviewed, and a written response is issued for approval or denial by FHLBank Indianapolis.
4. Once the loan modification is complete, the Servicer must provide a copy of the executed modification agreement to FHLBank Indianapolis and the Master Servicer.
5. See [Section 16.5](#) of this Guide for additional information regarding modification requests for loss mitigation.

10.2.9.3 Modifications for Purpose of Land Release

A release of a portion of the security for the mortgage may be requested by the borrower due to one of the following:

- Release or grant of an easement, or the subordination of the mortgage lien to an easement
- Release of a portion of the real property from the security
- Partition (or division) of a property
- Substitution of security property
- Removal or disposition of all or part of the structures on a property as the result of condemnation
- Full or partial taking of a property by the exercise of eminent domain
- Waiver of certain rights under the mortgage

If the Servicer maintains an escrow deposit account to pay property taxes, it also should notify the tax collector or assessor when a release of any portion of a security property that will subsequently affect the amount of taxes levied against the property is approved (or when an authorized substitution of security property will affect either the taxing jurisdiction or the tax assessment).

The Servicer should submit the borrower's application (along with its recommendation) to FHLBank Indianapolis for review and decision. The Servicer must first obtain any required approval from the mortgage insurer, SMI provider or guarantor, if applicable.

10.2.9.4 Modifications for Purpose of Borrower Release

In situations of divorce when the property has transferred to one spouse in the divorce decree and the transferee spouse qualifies for loan modification, release of the other spouse from liability on the Note may be considered.

The Servicer should submit the borrower's application (along with its recommendation) to FHLBank Indianapolis for review and decision. The Servicer must first obtain any required approval from the mortgage insurer, SMI provider or guarantor, if applicable.

10.3 Loans in a Federal Disaster Area

10.3.1 Relief Options for Borrowers

Temporary mortgage payment relief:

If the mortgaged property is within the federally declared disaster area and the subject property has been impacted or the borrower's income is affected by the disaster, servicers may temporarily suspend or reduce their mortgage payments for up to 90 days while establishing a Quality Right Party Contact (QRPC) to determine an appropriate course of action.

Forbearance

An appropriate relief measure in response to disasters is forbearance. Under forbearance, the servicer can agree to reduce or suspend the borrower's monthly payments for a specified period. The borrower must agree to resume his or her regular monthly payments and work with the servicer to determine a method to resolve the missed payments which may include a repayment plan or modification. Generally, after establishing QRPC, forbearance may be granted for a term of up to six months from the date of the first reduced or suspended payment. Written approval from FHLBank Indianapolis is required for longer periods or other resolution options.

10.3.2 Servicer Required Actions

Once the servicer becomes aware that a property has incurred damage as the result of a disaster, the servicer must:

- assess the extent of the damage and its effect on the borrower's ability to maintain their mortgage loan payment.

- confirm the property is adequately insured against damage.
- counsel the borrower on the availability of relief provisions and/or loss mitigation alternatives, including but not limited to referral to www.fema.gov and /or state government assistance.
- waive any late payment fees accrued during the established hardship period or pending insurance settlement; and
- ensure that hazard (and flood or earthquake, as applicable) insurance claims are filed and settled promptly and that the properties are repaired fully.
- Notify FHLBank Indianapolis with the details of the impact and actions being taken by sending an email with the pertinent information to defaultreporting@fhlbi.com.

If a servicer has any doubt about the effect of the disaster on the property's condition or the borrower's employment or income status, it should discontinue any legal action in process until it can determine the true status. The servicer should make its final decision on the appropriate course of action based on the findings.

Note: FHLBank Indianapolis expects that servicers will be able to determine the true status within 90 days following the date of the disaster declaration.

In reaching its final decision about a specific delinquency, the servicer should not:

- take any action (including the initiation or completion of foreclosure proceedings) if it may jeopardize the full recovery of a hazard, flood, or earthquake insurance settlement; or
- initiate (or complete) foreclosure proceedings related to a property that has been destroyed until it evaluates the economic feasibility of pursuing the foreclosure.

If the insurance loss settlement exceeds the outstanding indebtedness of the mortgage loan, it may be more practical to use the claim proceeds to satisfy the debt and let the borrower retain title to the property. The servicer should consult with FHLBank Indianapolis before using the insurance proceeds to pay off the loan.

11. Custodians

11.1 Document Custodian Eligibility

The Document Custodian works under a Custodial Agreement with the Seller and FHLBank Indianapolis. In order to become a Document Custodian, an institution must meet the eligibility requirements listed in the *Document Custodian Manual* (Appendix A).

The Seller and the Document Custodian must execute a Custodial Agreement and provide any additional documentation as requested by FHLBank Indianapolis.

11.1.1 Requirements for Related-Party Document Custodians

Related-party Document Custodians must satisfy and continue to satisfy additional requirements as listed in the *Document Custodian Manual* (Appendix A).

11.2 Transfer of Document Custodian Functions by FHLBank Indianapolis

FHLBank Indianapolis may decide at any time to transfer custody of the Custody Files, remove, and discharge the Document Custodian from the performance of its duties for any reason, including but not limited to:

1. The failure by the Document Custodian to perform or observe any of the provisions of this Guide or the Custodial Agreement.
2. The failure of the Document Custodian to meet requirements of the credit policy or Advances, Pledge, and Security Agreement.
3. An event of default occurs under any advances, pledge, and security agreement to which the Document Custodian is a party or to which the applicable Seller is a party.
4. The removal or termination of the Seller or any other person as Servicer of the mortgages.

11.3 Accounts

11.3.1 Custodial Funds Accounts Eligibility

1. The Servicer must establish separate, appropriate custodial accounts for the deposit of funds collected and must strictly control all funds in its custody.
2. Unless specifically approved by FHLBank Indianapolis in writing, the Servicer may not hold funds in a corporate account or segregated as part of the general ledger system. All accounts and related records must be maintained according to sound and generally accepted accounting practices and in a way that permits FHLBank Indianapolis and its agents to examine and audit such accounts and records at any time.

3. In order to become a funds custodian, any institution other than FHLBank Indianapolis must meet all of the eligibility requirements listed below:
 - a. Must be a financial institution regulated by one of the following:
 - i. Federal Deposit Insurance Corporation (FDIC)
 - ii. Federal Reserve System
 - iii. Office of the Comptroller of the Currency of the U.S.
 - iv. National Credit Union Administration (NCUA)
 - b. A member of FHLBank Indianapolis or meet the custodial depository requirements of Fannie Mae or Freddie Mac.
 - c. Employ knowledgeable personnel.
 - d. Meet the minimum FHLBank Indianapolis financial requirements under the credit policy and Advances, Pledge, and Security Agreement.
 - e. Maintain minimum insurance coverage requirements as provided in Section 2.1 of this Guide.
 - f. Establish and follow written procedures relating to its responsibilities as fund custodian.
 - g. Execute a P&I Custodial Account Agreement and an Escrow Custodial Account Agreement.
 - h. Supply any additional documentation as requested by FHLBank Indianapolis.
 - i. FHLBank Indianapolis reserves the right to require a servicer to transfer funds out of a depository institution, even if the institution appears to meet eligibility requirements, if FHLBank Indianapolis determines it is its best interest to do so.
4. The Servicer must establish and maintain a P&I Custodial Account and an Escrow Custodial Account for mortgages. These two accounts must be maintained separately.
5. As soon as FHLBank Indianapolis purchases a mortgage, the Servicer must transfer any funds related to such mortgage held by the Servicer on deposit to the appropriate Custodial Account.
6. The Servicer must establish a reasonable daily work cutoff to ensure that collections are credited to the Custodial Account no later than the business day following their receipt.
7. All Custodial Accounts must be Demand Deposit Accounts and may be interest bearing.

11.3.2 Principal and Interest (P&I) Account

All funds for the payment of principal and/or interest which are received by the Servicer must be held in trust by the Servicer for FHLBank Indianapolis and deposited to the P&I Custodial Account(s). This includes any proceeds from the liquidation of a defaulted mortgage from mortgage insurance and from any other policies of insurance collected by the Servicer. This also includes any prepayment in part or in whole accompanied by interest to the date of the prepayment.

A P&I Custodial Account must be established at FHLBank Indianapolis for loans serviced for FHLBank Indianapolis in accordance with an approved Actual/Actual remittance method.

Each account must clearly indicate the respective interests of the Servicer as trustee and of FHLBank Indianapolis as beneficial owner.

The account designation must be:

[Servicer's name] Trustee of Principal and Interest Custodial Account for various Federal Home Loan Bank of Indianapolis ("FHLBank Indianapolis") Whole Loans.
[S/S or A/A]

Servicers remitting under an approved Actual/Actual Remittance method must establish procedures to transfer the daily collection of principal and interest (fewer servicing fees) to the P&I custodial account at FHLBank Indianapolis. The transfer of funds should be made within two business days of receipt by the Servicer.

Transferred funds are held in the P&I Custodial Account at FHLBank Indianapolis until withdrawn as further described in [Section 14.2.1](#) of this Guide.

Remittance of P&I funds to FHLBank Indianapolis are accomplished as described in [Section 14](#) of this Guide.

The Servicer may only make withdrawals from the P&I account for one of the following purposes:

1. Make monthly remittance to FHLBank Indianapolis.
2. Transfer to an actual/actual P&I Custodial Account at FHLBank Indianapolis.
3. Reimburse itself for delinquency advances that have been recovered from subsequent collections from the related mortgagor provided that funds are available for such purpose.
4. Remove amounts that have been deposited to the account in error.
5. Remove fees, charges, or other such amounts that are deposited on a temporary basis in the account.
6. Clear and terminate the account.

Note: The Servicer should not use the P&I Custodial Account as a collection clearing account. It should establish a separate account for such purpose.

Servicers must deposit only funds due to FHLBank Indianapolis into a P&I Custodial Account. As an exception, Servicers may deposit the full principal and interest payments received into the P&I Custodial Account and subsequently withdraw the servicing fee.

The following is a list of the funds Servicers must deposit into the P&I Custodial Account for FHLBank Indianapolis mortgages:

- a. Principal and interest payments on all FHLBank Indianapolis mortgages whether received from the borrower or paid on the borrower's behalf
- b. Principal curtailments
- c. Payoff proceeds including those from short payoffs and third-party foreclosure sales
- d. Prepayment penalties (if applicable)

- e. Repurchase proceeds

11.3.3 Escrow Custodial Account

Servicer Responsibilities Include:

1. Must deposit all collections of taxes, assessments, ground rents, insurance premiums, and comparable items to the Escrow Custodial Account.
2. Ensuring that the account is maintained and administered in accordance with applicable state and federal laws and regulations.
3. Payment of any interest due to the mortgagor.

Withdrawals may be made only to affect the timely payment of mortgagors' taxes and insurance premiums, to refund mortgagor surpluses, to recover servicing advances and comparable items, and to remove any amounts deposited in error.

At least annually, the Servicer must compute the escrow payments required under each mortgage based on reasonable estimates or assessments and bills to determine that sufficient funds are being collected to meet all of the mortgagor's obligations to pay escrow payments.

If the amount held in the Escrow Custodial Account by the Servicer with respect to a mortgage, together with the future monthly installments of escrow payments, exceeds the amount required to pay escrow payments as they become due, plus any cushion amount permitted under applicable law and regulation; the Servicer must either repay the excess promptly to the mortgagor or credit the excess to the mortgagor by a reduction in monthly escrow payments.

4. If the amount held in the Escrow Custodial Account by the Servicer is deemed insufficient to pay escrow payments when due, the Servicer should obtain additional funds from the mortgagor necessary to make the escrow payments before the latest date on which the escrow payments may be paid prior to penalty, or lapse of insurance policies, as the case may be.

If the mortgagor fails to remit the deficient amount, or if there is insufficient time to obtain the amount, the Servicer must pay any charges due and reflect the shortage in the mortgagor's Escrow Custodial Account.

5. The account is to be designated in the name of the Servicer acting as an agent for mortgagor in order to show that the account is custodial in nature.
6. The account designation must be:
[Servicer's name] Trustee of Escrow Custodial Account for various Mortgagors related to Federal Home Loan Bank of Indianapolis ("FHLBank Indianapolis") Whole Loans.
7. The Servicer must maintain records identifying each mortgagor's payment and the account into which each payment is deposited.

11.3.4 Timing of Deposits to Custodial Accounts

Servicers must deposit all funds received for mortgages into the Custodial Accounts no later than the first business day after receipt.

If a lock box service or other service is used to collect payments, Servicers must apply the payment and deposit the funds to the corresponding Custodial Accounts no later than the second business day after the day on which the lock box or other service received the payment.

P&I collections (net of servicing fees) under Actual/Actual remittance methods must be transferred from the Servicer's P&I Custodial Account to FHLBank Indianapolis' P&I Custodial Account within two business days of deposit to the Servicer's P&I Custodial Account.

12. Insurance

12.1 Limitations and Restrictions

In addition to the insurance guidelines provided in this section ([Section 12](#)), the following limitations and restrictions are highlighted:

- Special endorsements are required for condominium and PUD units. For condominiums, an ALTA 4 Endorsement or its equivalent is required. For PUDs, an ALTA 5 Endorsement or its equivalent is required. These endorsements must be attached to each policy or incorporated in the text of the policy.
- Title exceptions require the Seller to submit a title waiver from FHLBank Indianapolis before the mortgage loan closes.
- Mortgages are not eligible for sale to FHLBank Indianapolis if the community does not participate in the National Flood Insurance Program (NFIP).
- If an area has not been mapped by FEMA but the Seller/Servicer is aware that the insurable improvements are exposed to flood risks, the mortgage is not eligible for sale to FHLBank Indianapolis without flood insurance on the improvements.
- If the Condominium Owners Associations' building coverage is not at least equal to the lower of 80% of the building's replacement cost or \$250,000 multiplied by the number of units in the building, the mortgage is not eligible for sale to FHLBank Indianapolis.
- FHLBank Indianapolis will not accept hazard insurance policies that limit or exclude from coverage (in whole or in part) windstorm, hurricane, hail damage, or any other perils that are normally included under an extended coverage endorsement unless such risks are covered by a separate policy or endorsement from another insurer that provides adequate coverage for the limited or excluded risk.

12.2 Required Insurance Coverage

12.2.1 All Risk Property Insurance

All Risk property insurance is required for each mortgage and evidence of such insurance must be kept in the Servicer's files pursuant to [Section 12.3](#) of this Guide.

1. The Servicer is required to maintain a valid, standard policy of insurance for all risk property coverage or comparable insurance coverage.
2. Such policy must be in an amount equal to or greater than the UPB of the mortgage, or the value of the improvements, less the value of the land.
3. The policy must include a standard mortgagee clause naming the Servicer, its successors, and assigns, or FHLBank Indianapolis, its successors and assigns, as mortgagee.
4. The Servicer must also maintain, for each mortgage, any other insurance required by FHLBank Indianapolis Guidelines.

5. The Servicer must maintain the insurance in full force and effect to the extent that the insurance is available.

12.2.2 Tile Insurance

Title Insurance policies must meet the requirements of Fannie Mae and Freddie Mac and each policy must be written on a standard form ALTA Title Insurance Policy 1992 Version, or a more recent version, which contains the updated creditor's rights exclusion statement and evidence of such insurance, must be kept in the Servicer's files pursuant to [Section 12.3](#) of this Guide.

12.2.2.1 Title Insurance Rating Requirement

Each Title Insurance policy must be written by a title insurance company that had at least one of the following ratings at the time the mortgage loan closed:

- A Financial Stability Rating of **S** (substantial) or better, or a Statutory Accounting Rating of **C** (average) or better from Demotech, Inc.
- A **BBB** or better rating from Duff and Phelps Credit Rating Company.
- A **C** or better rating from LACE Financial Corporation.
- A **Baa** or better rating from Moody's Investors Service.
- A **BBB** or better rating from Standard and Poor's Ratings Group.

12.2.2.2 Short Form Policies or Mortgagee's Certification of Insurance

FHLBank Indianapolis will accept Title Insurance provided by short form policies or by mortgagee's certifications of title insurance issued in conjunction with master Title Insurance policies provided that all of the following conditions are met:

1. The title insurer satisfies FHLBank Indianapolis's insurer rating requirement.
2. The title insurer and any applicable branches, affiliates, or agents of the title insurer are properly licensed and authorized to do business in the jurisdiction in which the mortgaged property is located and the policies are validly issued in that jurisdiction.
3. The standard ALTA policy forms (the Short Form Residential Loan Policy or the Master Residential Loan Policy and the Residential Loan Certificate) is used.
4. The master policy insures against loss due to survey-related matters.

12.2.2.3 States Not Requiring Title Insurance

For states in which Title Insurance policies are not normally issued, an attorney's opinion stating that the mortgage is a valid First Lien in that state is required.

However, FHLBank Indianapolis always requires a Title Insurance policy on a mortgage that is executed using a POA or that is secured by a condominium or PUD, even if the condominium or PUD is located in a state in which title policies are not normally issued.

12.2.2.4 Title Insurance Policy Requirements

All Title Insurance policies shall meet all of the following requirements:

1. Effective Date:

The effective Date of the title insurance may be no earlier than the later of the date of the final disbursement of loan proceeds or the date the mortgage was recorded.

2. Minimum Coverage:

The minimum amount of title insurance coverage is the original principal amount of the mortgage loan.

3. Environmental Protection Lien Endorsement:

An Environmental Protection Lien Endorsement is required for all mortgage loans originated after September 1, 1987. ALTA Endorsement 8.1 provides the required coverage.

4. General Title Waivers:

The title to the property, which secures a mortgage loan, must be good and merchantable and free and clear of all liens and encumbrances. The title policy must not be subject to any exceptions unless waived in writing by FHLBank Indianapolis before Closing or unless permitted pursuant to this section ([Section 12.2](#)).

12.2.2.5 Allowable Title Conditions

FHLBank Indianapolis will allow a title that is subject to any of the following conditions:

1. Any lien established by public bond, assessment, or tax, when no installment, call, or payment of or under such bond, assessment or tax is delinquent.
2. Any municipal and zoning ordinances and exceptions to title waived by the regulations of federal mortgage insurers and guarantors with respect to one to four family residences in effect on the date on which the mortgage was closed and all documents were executed.
3. Any other impediments which will not have a materially adverse effect on either the transferability of the Property or the sale thereof to a bona fide purchaser.

12.2.2.6 Good and Merchantable Title Restrictions

A Good and merchantable title will not exist if either of these conditions apply:

1. There is any lien pursuant to the Comprehensive Environmental Response, Compensation, and Liability Act, or similar federal or state law, as in effect from time to time, providing for liens in connection with the removal and clean-up of environmental conditions, or if notice has been given of commencement of proceedings that could result in such a lien.
2. There are limitations on ingress and egress to the property or on use of utilities. Any action or proceeding after a foreclosure sale relating to establishing a deficiency judgment will not be considered in determining whether the insured has acquired good and merchantable title.

12.2.2.7 Condominiums and PUD Projects

The mortgage Title Insurance policy covering each unit in a condominium or PUD project must meet the following requirements:

1. Legal Description:

Must include all components of the unit estate including:

- a. The name of the project.
- b. The unit itself.
- c. The undivided interest in the common elements (for condominium units).
- d. The non-exclusive easement to use the common areas and facilities (for a PUD or other kind of project unit that has separately owned common elements or facilities).
- e. Any significant limited common elements or exclusive easements over the common areas.

If the unit owners own the communal areas of the project as tenants in common that ownership must be reflected in the policy. The policy may describe limited common elements or exclusive easements specifically or by reference to the constituent documents.

If the HOA owns the common elements, areas, or facilities of a project separately (or holds them in a leasehold estate), insurance on those areas is required to ensure that ownership. The title must be free and clear of any objectionable liens and encumbrances, including any Statutory or Mechanics' Liens for labor or materials related to improvements on the common areas that began before the title policy was issued.

2. Title Insurance Policy Coverage:

Must include coverage that provides protection by:

- a. Ensuring that the mortgage is superior to any lien for unpaid common expense assessments. In jurisdictions that give these assessments a limited priority over a First or Second Mortgage Lien, the policy must provide assurance that those assessments have been paid through the Effective Date of the policy.
- b. Insuring against any impairment or loss of title of FHLBank Indianapolis' First Lien caused by any past, present, or future violations of any covenants, conditions, or restrictions of the master deed for the project. The title insurance policy must specifically insure against any loss that results from a violation that existed as of the date of the policy.
- c. Ensuring that the unit does not encroach on another unit or on any of the common elements, areas, or facilities. The policy must also ensure that there is no encroachment on the unit by another unit or by any of the common elements, areas, or facilities.
- d. Ensuring that the mortgage is secured by a unit in a condominium project that has been created in compliance with the applicable enabling statutes.
- e. Ensuring that real estate taxes are assessable and lien able only against the individual condominium unit and its undivided interest in the common elements, rather than against the project as a whole.

- f. Ensuring that the owner of a PUD is a member of the HOA, and that the membership is transferable if the unit is sold.

Note: Special endorsements are required for condominium and PUDs. For condominiums, an ALTA 4 Endorsement or its equivalent is required. For PUDs, an ALTA 5 Endorsement or its equivalent is required.

These endorsements must be attached to each policy or incorporated in the text of the policy.

12.2.2.8 Request for Additional Title Waivers

For title exceptions, which are not specifically permitted above, the Seller must request a title waiver from FHLBank Indianapolis before the mortgage loan closes.

The request should be accompanied by the following:

- A statement from the private mortgage insurer, if any, which indicates the exception will not adversely affect the private mortgage insurance coverage.
- A statement from the appraiser, which indicates that the exception will not adversely affect the marketability or use of the property and agrees to indemnify FHLBank Indianapolis if a loss should later be incurred due to the exception(s).

12.2.3 Improvement Survey Requirements

An Improvement Survey must be obtained and kept in the Servicer's files unless the mortgage loan is covered by a master title insurance policy, which insures against loss due to survey-related matters. In areas where surveys are not customary, the title insurance policy must insure against loss or damage by any violation, variation, encroachment, or adverse circumstance that would have been disclosed by an accurate survey.

1. The survey must show each of the following:

- a. The location by courses and distances of the plot to be covered by the mortgage, the relation of the point of the beginning of the plot to the monument from which it is fixed, all easements affecting the plot, any established building line, the line of the street or streets abutting the plot, and the width of such streets.
- b. Any encroachments upon the plot or any easement appurtenant to the plot, and their extent measured in terms of feet and inches; and
- c. All structures and improvements on the plot, including the horizontal lengths of all sides and the relation of the structures and improvements by distance to all boundary lines of the plot, easements, established building lines, and street lines.

If the plot is described as being on a field map, the survey must contain a legend relating the plot to the map on which it appears. The survey must prove the improvements lie entirely within the boundaries of the plot and no part of the improvements encroach upon or overhang any easement or right of way upon other plots. The survey must also prove the

improvements are wholly within the established building restriction lines and no adjoining structure encroaches upon the plot or upon any dominant easement affecting the plot.

2. Variations:

Variances between the length of the property lines as shown on the appraisal report and on the survey are acceptable provided that:

- a. The variance does not interfere with the current use of, or any improvement on, the mortgaged property; and
- b. The variance in the length of the front property line and rear property line is not deficient by more than 2% or 5%, respectively.

The appraiser must provide a statement regarding any other variations and explain how they affect the value of the property. If private mortgage insurance is required, the Seller must obtain a statement from the private mortgage insurer stating the variations will not affect the property's insurability.

12.2.3.1 Survey Expiration Restrictions

The survey must be performed, dated, and certified by a licensed civil engineer or registered surveyor within six months of the date the title insurance policy was issued.

If a survey is dated more than six months prior to the date of the title insurance policy, it must be re-certified by the licensed civil engineer or registered surveyor who originally performed the survey within the six months prior to the purchase of the mortgage loan by FHLBank Indianapolis.

12.2.4 Flood Insurance

A flood zone determination must be made for each property securing a mortgage sold to FHLBank Indianapolis. A flood zone determination must be documented by a completed FEMA Form 81-93 Standard Flood Hazard Determination Form (SFHDF) in accordance with federal law.

The SFHDF may be used in a printed, computerized, or electronic manner and must be retained for the life of the mortgage in either hard copy or electronic format. The date in the **Date of Determination** field on the SFHDF must be a date that is no more than 120 days before the Note Date of the mortgage or, if applicable, the refinance Mortgage.

Flood insurance is required for any property located in a special flood hazard area that has federally mandated flood insurance purchase requirements.

FHLBank Indianapolis will rely on the Seller's representations and warranties that, as of the date a mortgage loan has been purchased, flood insurance has been obtained and the premiums for such insurance have been paid.

12.2.4.1 *Additional SFHDF Requirements*

1. Special Flood Hazard Area (SFHA):

If the SFHDF identifies the insurable improvements on the Mortgaged Premises as located in an area that has been identified as a SFHA designated as Zone **A** or **V** on a flood map; for example, on a Flood Hazard Boundary Map or Flood Insurance Rate Map of FEMA, the Seller/Serviceicer must ensure that Flood Insurance is obtained and maintained on such improvements for the term of the mortgage.

The Flood Insurance policy may be issued by any qualified insurer and the terms and conditions of the flood insurance coverage must be at least equivalent to the terms and conditions of coverage provided under the standard policy of the National Flood Insurance Program (NFIP) for the type of improvements insured.

2. Flood Insurance Waivers:

The Seller/Serviceicer may waive the Flood Insurance requirement if one of the following conditions are met:

- a. The borrower and the Seller/Serviceicer have obtained, following a joint request to FEMA as provided under federal law, a Letter of Determination Review (LODR) concluding that the insurable improvements are not in the SFHA.
- b. The borrower has provided the Seller/Serviceicer with a Letter of Map Amendment (LOMA) from FEMA excluding the insurable improvements or the entire property from the SFHA.
- c. The borrower has provided the Seller/Serviceicer with a Letter of Map Revision (LOMR) from FEMA removing the community's SFHA designation.

The borrower must maintain Flood Insurance on the insurable improvements until FEMA issues a LOMA, LOMR or LODR. Upon issuance of a LOMA, LOMR or LODR, the borrower may request from FEMA a refund of paid Flood Insurance premiums through the insurance agent servicing the flood insurance policy. A copy of the LOMA, LOMR or LODR, as applicable, must be maintained in the mortgage file.

If the insurable improvements on the Mortgaged Premises are located in an SFHA but the community does not participate in the National Flood Insurance Program (NFIP), therefore considered a non-participating community, the mortgage is not eligible for sale to FHLBank Indianapolis.

If the insurable improvements on the Mortgaged Premises are located in an area that has not been mapped by FEMA and the Seller/Serviceicer is not aware of any flood risks to which the improvements are exposed, the mortgage is eligible for sale to FHLBank Indianapolis without the benefit of Flood Insurance. If the area has not been mapped by FEMA but the Seller/Serviceicer is aware that the insurable improvements are exposed to flood risks, the Mortgage is not eligible for sale to FHLBank Indianapolis without Flood Insurance on the improvements.

3. Required Documentation:

Flood insurance should generally be in the form of the standard policy issued by members of the National Flood Insurance Administration (NFIA). And an insurer whose coverage is guaranteed by the NFIP under a Standard Flood Insurance Policy ISSUED PURSUANT TO THE National Flood Insurance Act of 1968, as amended. If Flood Insurance is required, the mortgage loan must close with one of the following:

- a. A complete Flood Insurance policy containing a standard mortgagee clause.
- b. A complete application to the National Flood Insurance Program Agency (NFIP) with evidence that the first-year premium on the policy has been paid and an elevation certificate if the property was constructed after the date of the FIRM.

A new elevation certificate may be obtained from a private engineer, architect, land surveyor, or a local community permit official who obtains the information by transcribing data from the building permit records provided that the data has been certified.

To help minimize the expense of obtaining an elevation certificate, FHLBank Indianapolis will accept the following alternative documentation:

- i. A copy of the property Seller's elevation certificate.
 - ii. A copy of the property Seller's Flood Insurance Declaration page provided the elevation information is on the declaration page.
 - iii. With respect to new construction, elevation information may be obtained from the city engineer or the developer's site planning engineer.
- c. A completed application to the NFIP with evidence that the first-year premium on the policy has been paid, and a completed flood Insurance certification form, in form and substance acceptable to FHLBank Indianapolis if the property was constructed before the FIRM date.

To determine whether a property was constructed before or after the FIRM date, consult the community status book published by NFIP, or call NFIP directly at (800) 638-6620 or (800) 492-6605 specifically for Maryland residences).

To use the community status book, locate the city/county in which the property is located and read across to the Date of Entry into the Emergency or Regular Program to determine the FIRM date.

4. **Amount of Coverage:**

If the community where the Mortgaged Premises are located participates in the Emergency Program of the NFIP, the Flood Insurance coverage on the insurable improvements must at least equal the lowest of the following:

- The UPB of the mortgage.
- The maximum amount of coverage currently sold under the Emergency Program of the NFIP for the type of improvements insured.
- The replacement cost of the insurable improvements.

5. **Deductible Amounts:**

The deductible may not exceed the maximum deductible amount currently allowed under the NFIP for the type of improvements insured.

6. **Condominiums and PUDs:**

Flood insurance requirements for 1-4-unit properties apply to similar residential properties in a Detached Condominium Project. If the Condominium Unit securing a mortgage sold to or serviced for FHLBank Indianapolis is in a building in a Condominium Project other than a Detached Condominium Project and all or part of the building is in an SFHA, the following flood insurance coverage, as applicable, is required:

a. **Condominium Owners Association Coverage**

The Condominium Owners Association must maintain building coverage on the building for the lower of:

- the building's replacement cost or
- \$250,000 multiplied by the number of residential units in the building.

The Condominium Owners Association must maintain contents coverage on the building for the lower of:

- the actual cash value of the contents in the building that are owned in common by the association members or
- the maximum amount of contents coverage sold by the NFIP for a condominium building.

The deductible of the Condominium Owners Association's coverage may not exceed the maximum deductible amount currently allowed under the NFIP for condominium association building coverage. The deductible for association building contents may not exceed the maximum deductible amount currently allowed under the NFIP for association building contents.

b. Unit Owner's Coverage

To the extent the Condominium Owners Association's building coverage does not meet the requirements above, the Borrower must maintain supplemental coverage on the unit in an amount at least equal to the difference between the condominium associations' building coverage allocated to that unit and the amount required on a 1-4 unit property and with a deductible not exceeding the maximum deductible allowed for a 1-4 unit property.

If the Condominium Owners Associations building coverage is not at least equal to the lower of 80% of the building's replacement cost or \$250,000 multiplied by the number of units in the building, the mortgage is not eligible for sale to FHLBank Indianapolis.

7. Mortgagee Clause:

The mortgagee clause must read as follows:

The Seller's name must appear in the mortgagee clause of the flood insurance policy followed by the phrase "its successors and/or assigns."

FHLBank Indianapolis should not appear as mortgagee unless the policy coverage would be impaired as a result.

8. Federal Disaster Area:

FHLBank Indianapolis will purchase mortgage loans secured by properties located in a federal disaster area, provided the Seller submits the following documentation to FHLBank Indianapolis:

- 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 will not purchase the mortgage loan until any damages arising out of the disaster are repaired.

The Seller should contact the appropriate regional FEMA offices to determine whether properties located in its origination regions are included in the disaster areas.

12.2.5 Hazard Insurance

1. General Requirements:

At Closing, the borrower must provide the Seller with a hazard insurance policy that meets the requirements stated below and evidence that the first-year premium has been paid. FHLBank Indianapolis will rely on the Seller's representations and warranties that, as of the date a mortgage loan has been purchased, hazard insurance has been obtained, and the premium for such insurance is paid.

The borrower has the right to select the insurance carrier provided the carrier has at least one of the following ratings at the time the mortgage loan was closed:

- A **B** or better Financial Strength Rating from A.M. Best's Insurance Reports.
- An **A** or better rating in Demotech Inc.'s Hazard Insurance Financial Stability Ratings.
- A **BBB** or better Insurer Financial Strength Rating in Standard and Poor's Ratings Direct Insurance Service.

2. Prior to Closing:

Seller must verify that the hazard insurance rating requirements have been met. The following alternative hazard insurance coverages are also acceptable:

- a. In the event that the issuer of the hazard insurance policy does not meet the above described rating requirements, the hazard insurance policy may, nevertheless, be acceptable if the insurer is reinsured by a company that meets either one of the A. M. Best general policy-holder ratings or Standard and Poor's Ratings Group claim-paying ability ratings described above.

Both insurance companies must, however, execute an assumption of liability agreement, in form and substance acceptable to FHLBank Indianapolis that provides for 100% reinsurance of the primary insurer's policy and 90-day written notice of termination of the reinsurance arrangement. The assumption of liability agreement must be attached to the hazard insurance policy.

- b. Coverage from Lloyd's of London or, if no other coverage is available, coverage under a fair access to insurance requirements (FAIR) plan or other state-managed insurance pools.
- c. The insurance carrier and, if applicable, the reinsuring insurer must be authorized (or licensed, if required) to transact business in the state in which the mortgaged property is located.

3. **Mortgagee Clause:**

The mortgagee clause must read as follows:

[Seller's name] its successors or assigns.

FHLBank Indianapolis should not appear as mortgagee unless the policy coverage would be impaired as a result.

4. **One to Four Family Residences:**

a. Type of Coverage

- i. One to four family residences (including those secured by PUD units) must be covered for loss or damage from fire and other hazards covered by a standard extended coverage endorsement.

Note: FHLBank Indianapolis will not accept hazard insurance policies that limit or exclude from coverage (in whole or in part) windstorm, hurricane, hail damage, or any other perils that are normally included under an extended coverage endorsement unless such risks are covered by a separate policy or endorsement from another insurer that provides adequate coverage for the limited or excluded risk.

- ii. The coverage should be of the type that provides for claims to be settled on a current replacement cost basis. FHLBank Indianapolis does not require separate appraisal valuations for land and improvements to support the use of replacement cost coverage.
- iii. Individual insurance policies are required on PUD units unless the PUD unit is covered under the project's blanket policy and the PUD project's constituent documents allow the individual PUD units to be included in the project's blanket policy. In addition, the homeowner's association must maintain a policy that covers the common areas, fixtures, equipment, personal property and supplies of the project.
- iv. An individual hazard insurance policy is not required for a condominium unit. The Seller must, however, verify that coverage is in force for the entire project before the mortgage loan is delivered to FHLBank Indianapolis.

b. Amount of Coverage

For one to four family residences and individual PUD units, the amount of hazard insurance coverage must at least equal the lesser of:

- i. 100% of the insurable value of the improvements, as determined by the property insurer.

ii. The UPB of the mortgage loan, provided that it equals the minimum amount (80% of the insurable value of the improvements) required to compensate for damage or loss on a replacement cost basis. If the policy is written for less than the mortgage loan amount purchased by FHLBank Indianapolis, it should contain a replacement cost guarantee endorsement.

c. Deductible Amounts

Unless a higher maximum amount is required by state law, the maximum deductible may not exceed 5% of the limit maintained for dwelling coverage. The deductible clause may apply to either fire, water (not caused by flooding), or wind damage.

When a policy provides for a separate wind-loss deductible (either in the policy itself or in a separate endorsement), that deductible may be the higher of \$2,000 or 2% of the policy face amount (or 2% of a PUD unit's replacement cost if the unit is covered under a blanket insurance policy).

d. Additional Coverage

Each of the following additional coverages are required:

- Earthquake coverage is required for all mortgaged properties located in Puerto Rico.
- Rent Loss Insurance must be maintained by the borrower with respect to any 2-4 family investment property, one unit of which is not occupied by the borrower.

Hazard insurance policies, which include optional coverage that is not required by FHLBank Indianapolis, are acceptable provided that FHLBank Indianapolis is not obligated to renew any part of the coverage not required hereunder.

5. Condominium and PUD Projects

a. Type of Coverage

- i. Condominium and PUD projects must be covered by an insurance policy which protects against fire, all other hazards that are normally covered by the standard extended coverage endorsement, and all other perils customarily insured against by similar types of projects, including those covered by the standard all risk endorsement.

If the policy does not include an *all risk* endorsement, FHLBank Indianapolis will accept a policy that includes the broad form covered causes of loss.

- ii. The HOA must maintain the hazard insurance policies described in this section (Section 12.2.5). Premiums with respect to such policies should be considered a common expense of the project.
- iii. Policies covering the common elements for a PUD project must cover all of the common elements except for those that are normally excluded from coverage, such as land, foundation, excavations, etc. Fixtures and building service equipment that are considered part of the common elements, as well as common personal property and supplies, should be covered. If the project's legal documents allow for blanket insurance policies to cover both the individual units and common elements, FHLBank Indianapolis will accept such policies in satisfaction of the insurance requirements for the units.
- iv. The master or blanket policy covering the common elements of a condominium project must cover all of the general and limited common elements that are normally included in coverage such as fixtures, building service equipment, and common personal property and supplies belonging to the HOA. The policy must also cover fixtures, equipment, and other personal property inside individual units if they are to be financed, whether or not the property is part of the common elements.
- v. The insurance requirements set forth in this section (Section 12.2.5) apply to any condominium unit mortgage with a Note dated on or after July 1, 1995, if the condominium unit is in a condominium project, and part of which is located in one or more California High-Risk Zip Codes.

In addition, the earthquake insurance requirements of this section (Section 12.2.5) may apply to a condominium unit mortgage with a Note dated on or after July 1, 1995, if the condominium unit is in a condominium project, any part of which is located in one or more California Moderate-Risk Zip Codes.

A condominium project in a moderate-risk zip code must have earthquake insurance coverage if required by applying an earthquake insurance requirements matrix prepared by Risk Management Solutions (RMS).

Characteristics of this matrix include:

- Year built
- Construction Class (wood, concrete, steel, reinforced masonry, or unreinforced masonry)
- Number of stories
- Type of parking (tuck-under or multilevel above-grade)

Current or future zip code classifications may be subject to change from time to time due to one or both of the following:

- Action by the United State Postal Service that modifies, add, or deletes zip codes.
 - Changes that may result from natural or man-made conditions.
- vi. Earthquake insurance is required for all buildings in Puerto Rico. The amount of required coverage and the deductible limitations are the same for these policies as they are for policies for fire and extended coverage.

b. Amount of Coverage

- i. Hazard insurance coverage for PUD and condominium projects must be at least 100% of the insurable replacement cost of the project improvements, including the individual units in a condominium or PUD project.

A hazard insurance policy that includes either of the following endorsements will assure full replacement cost coverage:

- A guaranteed replacement cost endorsement which provides that the insurer agrees to replace the insurable property regardless of the cost; or
- A replacement cost endorsement which provides that the insurer agrees to pay up to 100% of the property's insurable replacement cost, but no more.

- ii. If the policy includes a coinsurance clause, an agreed amount endorsement waiving the coinsurance clause is required.

c. Deductible Amounts

Unless a higher maximum amount is required by state law, the maximum deductible for policies covering the common elements in a PUD or condominium project is the lesser of \$10,000 or 1% of the policy face amount.

The maximum deductible amount for individual units that are covered under the blanket policy for the project should be the higher of \$1,000 or 1% of the replacement cost of the unit.

d. Special Endorsements

All of the following endorsements are required for PUD and condominium projects:

- i. An Inflation Guard Endorsement, if available.
- ii. Construction Code endorsement if there is a construction code provision that would require changes to undamaged portions of the subject projects' building(s) even when only a part of a building is destroyed by an insured hazard.
- iii. Steam Boiler and Machinery Coverage endorsement if the project has central heating or cooling. The minimum coverage per accident must be at least equal to the lesser of \$2 million or the insurable value of the building(s) containing the boiler or machinery. Separate stand-alone boiler and machinery coverage may be purchased in lieu of obtaining this endorsement.

e. Additional Condominium Project Requirements

In addition, policies covering a condominium project should provide that all of the following conditions are met:

- i. Insurance Trust Agreements are recognized
- ii. The right of subrogation against unit owners is waived.
- iii. The insurance will not be prejudiced by any acts or omissions of individual unit owners that are not under the control of the HOA.
- iv. The policy is primary, even if a unit owner has other insurance that covers the same loss.

These provisions are usually covered by a Special Condominium Endorsement.

- Name Insured:

Insurance policies for PUD and condominium projects must show the HOA as the name insured and must contain the applicable mortgagee clause.

12.3 Evidence of Coverage

1. The Servicer must maintain evidence of the required insurance and a copy of the Improvement Survey as specified in [Sections 12.2.1](#) through [Section 12.2.5](#) of this Guide by retaining all of the following:
 - The original policies or the information relating to the insurance policies.
 - The survey or master title insurance policy (in accordance with [Section 12.2.3](#)), in a medium that is accessible to FHLBank Indianapolis.
2. If the Servicer does not retain the original policies as evidence of insurance, it must carry Mortgage Impairment or Mortgage Interest Insurance.
3. In addition to all other remedies of FHLBank Indianapolis, the Servicer will indemnify FHLBank Indianapolis for any loss FHLBank Indianapolis sustains due to the Servicer's failure to verify that the required insurance is in force on the mortgages.
The Servicer's obligation will not be limited to the amount of coverage in force under a mortgage impairment or mortgagee interest policy.

13. Audit

13.1 Audit Records

1. The Seller and Servicer agree that at any reasonable time, during normal business hours, as requested by FHLBank Indianapolis, FHLBank Indianapolis or its designated agents may examine and audit the mortgages held by the Seller or Servicer.

This includes all books, records, Electronic Loan Records or information of the Seller or Servicer or relating to a Seller's or Servicer's mortgages or its participation in MPP, or bearing on the Seller's or Servicer's compliance with the requirements of MPP, 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 mortgages.

2. The Seller and Servicer agree that FHLBank Indianapolis shall have the right to perform such audits on any of the Seller's or Servicer's servicing subcontractors, agents, or other representatives of the Seller or Servicer.
3. As a service to FHLBank Indianapolis, various contractors conduct financial and administrative reviews of the Seller or Servicer to assure compliance with FHLBank Indianapolis requirements. The Seller or Servicer must afford all contractors and their staff full cooperation in their conduct of these reviews.

13.2 Access to Audits

1. For the purpose of audit, examination, monitoring, and evaluation of a Seller's or Servicer's compliance with MPP, each Seller or Servicer must make available for inspection by FHLBank Indianapolis or its agents, upon request; Custody Files, mortgage documents, and other information pertinent to its operations under MPP.
2. Each Seller or Servicer must ensure that any party holding Custody Files or mortgage documents, including a servicing subcontractor, Document Custodian, Funds Custodian, or other person, has executed a written agreement with the Seller or Servicer to permit FHLBank Indianapolis access to documents as provided above.

14. Payments to FHLBank Indianapolis

14.1 Scheduled/Scheduled

14.1.1 Method and Timing

1. The Servicer is obligated to make timely monthly payments of scheduled P&I on the mortgages to FHLBank Indianapolis without regard to whether the Servicer is able to recover, from liquidation proceeds, insurance proceeds or late payments, amounts paid to FHLBank Indianapolis.
2. For conventional mortgage MCCs, FHLBank Indianapolis will debit Seller's CMS Account or accept wired funds by the applicable Servicer by 1 p.m. Eastern (EST) time on the 18th calendar day of the month if the 18th is a business day.

If the 18th calendar day is not a business day, the transfer must be completed by 1 p.m. Eastern (EST) time on the first business day following the 18th calendar day of the month. FHLBank Indianapolis shall debit the amount set forth in a notice of withdrawal from the Master Servicer.

3. For FHA MCCs, FHLBank Indianapolis will debit Seller's CMS Account or accept wired funds by the applicable Servicer by 1 p.m. Eastern (EST) time on the 15th calendar day of the month if the 15th is a business day.

If the 15th calendar day is not a business day, the transfer must be completed by 1 p.m. Eastern (EST) time on the first business day following the 15th calendar day of the month. FHLBank Indianapolis shall debit the amount set forth in a notice of withdrawal from the Master Servicer.

14.1.2 Computation of Payments

1. The Servicer's monthly payment to FHLBank Indianapolis will consist of three elements: scheduled interest, scheduled principal, and unscheduled principal, computed as described below.

- a. **Scheduled Interest**

Interest due to FHLBank Indianapolis each calendar month under each mortgage is computed as one-twelfth of the Pass-Through Rate payable on the mortgage, multiplied by the beginning scheduled balance of the mortgage on the cut-off date prior to the calendar month in which the interest payment on the mortgage is due.

- b. **Scheduled Principal**

The scheduled principal payment due each calendar month to FHLBank Indianapolis under each mortgage is the scheduled amount of principal due on the mortgage on the first day of the calendar month in which the principal payment on the mortgage is due.

- c. **Unscheduled Principal**

In addition to the regular monthly scheduled principal payments, each monthly payment to FHLBank Indianapolis must include all unscheduled recoveries of principal received by the

Servicer, or due through the cut-off date prior to the calendar month in which the next regular scheduled monthly payment on the mortgage is due.

- i. Unscheduled principal payments are proceeds received in connection with, or that become due on, the mortgage or the property other than scheduled P&I payments and miscellaneous collections.
 - ii. Unscheduled principal includes, but is not limited to:
 - a) Prepayments (excluding scheduled payments made in advance of their due dates, which the funds custodian is to hold in the P&I Custodial Account and pay to FHLBank Indianapolis in connection with the appropriate mortgage payment date).
 - b) PMI, SMI, or title insurance settlement proceeds.
 - c) Hazard insurance proceeds, to the extent not used to repair the collateral.
 - d) Proceeds from foreclosure sales or repossession sales and any payments received in lieu of foreclosure or repossession of the collateral.
 - e) Any principal amount of a mortgage finally discharged by a bankruptcy court.
 - f) Proceeds from any disposal or transfer of a mortgage, except for authorized pledges of servicing.
 - g) Payments from the Servicer's own funds, as required.
 - h) All other payments or proceeds that reflect the recovery of principal on a mortgage. The entire amount of any such payments, whether or not actually received by the Servicer, is considered an unscheduled recovery of principal.
2. The Servicer must pay the entire amount of all unscheduled recoveries of principal on a mortgage to FHLBank Indianapolis until such time as FHLBank Indianapolis has been paid in full all amounts due or that may become due on a mortgage.
 3. The Servicer may not deduct from any such unscheduled recoveries, advances made to make payments due FHLBank Indianapolis under the mortgage. Advances may be reimbursed as permitted by [Section 15.3](#) of this Guide.
 4. If a third party deducts any amounts from an unscheduled recovery of principal, the Servicer must pay an amount equal to such amounts to FHLBank Indianapolis.
 5. Once FHLBank Indianapolis has been paid in full, all amounts due or that may become due on a mortgage, to the extent that the Servicer has made any advances on behalf of the mortgagor; they may exercise the rights of FHLBank Indianapolis to recover such amounts from such mortgagor.

14.1.3 Early Receipt of Scheduled Payments

Scheduled payments collected on each mortgage in advance of the dates they are due are to be retained by the Funds Custodian in the P&I Custodial Account for payment to FHLBank Indianapolis during the calendar month in which such payments are required to be passed through to FHLBank Indianapolis.

In case of a full payoff, the Servicer will remit the full scheduled interest due for the current month, regardless of the date the payoff was received during that month.

14.1.4 Escrow and Miscellaneous Collections

The following escrow and miscellaneous collections are not recoveries of principal:

1. Mortgage Insurance Premiums
2. Tax payments
3. Hazard insurance payments
4. Special charges related to servicing
5. Late charges
6. Ground rents
7. Special assessments
8. Water rents
9. Attorney's fees
10. Any funds to repay the Servicer's expenditures under the terms of the mortgage to complete construction, pay for security services, or prevent waste.

14.2 Actual/Actual

14.2.1 Method and Timing

1. The Servicer is obligated to remit to FHLBank Indianapolis the actual principal and actual interest (net of servicing fees) collected from borrowers.
2. FHLBank Indianapolis will debit the Seller/Servicer's actual/actual P&I Custodial Account maintained at FHLBank Indianapolis on the 18th calendar day of the month if the 18th is a business day. If the 18th calendar day is not a business day, the debit is posted on the first business day following the 18th calendar day of the month. FHLBank Indianapolis shall debit the amount set forth in a notice of withdrawal from the Master Servicer.

14.2.2 Computation of Payments

1. The Servicer's monthly payment will consist of two elements: actual interest and actual principal, as described below:

- a. **Actual Interest**

Interest due FHLBank Indianapolis each calendar month will equal the interest collected and applied to each mortgage during the prior calendar month. The amount of interest shall be net of servicing fee to be retained by the Servicer.

- b. **Actual Principal**

Principal due FHLBank Indianapolis each calendar month will equal the principal collected and applied to each mortgage during the prior calendar month. This will include prepayments and liquidation proceeds applied to the loan.

14.3 FHA Delinquency and Losses

If at any time, the property securing an FHA mortgage is transferred to the Servicer by the mortgagor or in connection with foreclosure proceedings or otherwise and a UPB exists with respect to such mortgage, the Servicer shall advance FHLBank Indianapolis from its own funds on the 15th day of the calendar month following either such event (or the first business day following such 15th day) an amount equal to the UPB of such mortgage and all other amounts remaining due and unpaid under such mortgage.

Such payment is deemed an advance to or on behalf of the mortgagor or under such FHA mortgage. In such event, the Seller or Servicer may exercise the rights of FHLBank Indianapolis against such mortgagor or against the FHA under the FHA Insurance.

FHA Seller/Servicers may, at their option and without FHLBank Indianapolis' prior approval, repurchase any FHA loan for an amount equal to 100 percent of the loan's remaining balance, less the principal payments advanced, when at least one missed payment remains uncured for four (4) consecutive months.

FHA Servicers must repurchase any FHA loan for an amount equal to 100 percent of the loan's remaining balance, less the principal payments advanced, when the loan has been modified under FHA guidelines.

14.4 Advances to Pay Taxes and Insurance

1. If the mortgagor does not make full and timely payment of amounts required to make payments of taxes and insurance premiums, the Servicer must advance its own funds to make the payments when due, either to the Escrow Custodial Account or directly to the taxing authority or insurance company.
2. If the Servicer makes such payment from the Escrow Custodial Account, it must deposit from its own funds into the Escrow Custodial Account an amount equal to such payment within one business day after payment of such taxes or insurance premiums is made from such Escrow Custodial Account.
3. Tax and insurance funds on deposit for a mortgagor cannot be used for any purpose other than the payment of such mortgagor's taxes and insurance.

14.5 Other Expenses

1. When due, the Servicer must advance from its own funds any legal fees or litigation expenses incurred in connection with the enforcement of any mortgage.
2. When due, the Servicer must advance from its own funds any other loss or expense incurred in connection with a mortgage if this Guide or FHLBank Indianapolis Guidelines do not specifically provide for reimbursement.
3. In the event of any such advance made with respect to an FHA mortgage, at such time as FHLBank Indianapolis is paid in full, all amounts that are due or may become due under a mortgage; the Seller or the Servicer may exercise the rights of FHLBank Indianapolis against the mortgagor or the FHA under the FHA Insurance.
4. In the event of any such advance made in respect of any conventional mortgage, the Seller or Servicer shall be entitled to reimbursement of such advance for reasonable and customary expenses as approved in by [Section 15.3](#) of this Guide.

14.6 LRA and SMI Advances

If FHLBank Indianapolis has advanced funds on behalf of the LRA, FHLBank Indianapolis will reduce any LRA distribution by the amount of such LRA advances made on behalf of the Seller and still outstanding at the time of the calculation for LRA distribution.

If the SMI has advanced funds for default claim settlements, the SMI shall be reimbursed for such advances, to the extent that LRA funds are available, before LRA funds will be released to the Seller.

14.7 Early Payoffs/Prepayments

FHLBank Indianapolis will recapture premium and LRA on loans paid off within 120 days (calculated by date of borrower's payoff to servicer) of settlement.

15. Advance Agreements and Reimbursement of Advances

15.1 Ledger

The Servicer must maintain a ledger that details all of the following:

1. The net unrecovered Servicer advances to the P&I Custodial Account.
2. The excess funds used in lieu of Servicer advance of its own funds.
3. The net amount of excess funds outstanding during each month, i.e., the amount that has not been recovered either through the Servicer's own funds or from payments by mortgagors.

15.2 Funds in Escrow

Funds in an Escrow Custodial Account cannot constitute excess funds because escrow funds collected in connection with a mortgage may be used only for the benefit of the mortgagor that made the payment.

15.2.1 Deficit Escrow Balance

The Servicer must advance its own funds to cover payments due on a mortgage with a deficit escrow balance.

Important: The Servicer must replace, in the P&I Custodial Account, excess funds used to make advances during a given calendar month in time to pay FHLBank Indianapolis the amounts due FHLBank Indianapolis in the following calendar month and before the Servicer recovers advances made from its own funds.

The Servicer is liable to FHLBank Indianapolis at all times for the restitution of any excess funds withdrawn to cover advances.

15.3 Reimbursement of Advances

With respect to conventional mortgages, the Servicer is entitled to reimburse itself for any advance made in accordance with this Guide from any amounts received as Servicer from the related mortgagor in respect of the required payment or expense for which the advance was made; proceeds from liquidation of the mortgage through foreclosure or otherwise; and proceeds from claims made on behalf of FHLBank Indianapolis under any PMI policy and any SMI policy, if applicable.

To the extent not reimbursed, FHLBank Indianapolis will reimburse the Servicer for advances made in accordance with the Guide. With respect to an FHA mortgage, the Servicer is entitled to reimburse itself for any advances made by it in accordance with this Guide through exercising the rights of FHLBank Indianapolis against the related mortgagor and the proceeds of any insurance claim against the FHA in respect of such FHA mortgage.

16. Servicing Delinquent and/or Defaulted Mortgages

16.1 Mortgages in Default

A loan is deemed to be in Default by a borrower when one of the following occurs:

1. Failure to pay when due one or more monthly regular periodic payments due under the terms of a loan.
2. Failure to pay all amounts due on acceleration of the loan by the Servicer after breach by the Borrower of a due-on-sale provision in the Loan, granting the Servicer the right to accelerate the loan upon transfer of title to, or an interest in, the Property and to institute Appropriate Proceedings.

Note: Violation by the borrower of any other term or condition of the loan which is a basis for Appropriate Proceedings shall not be considered to be a Default.

A loan is deemed to be in Default for that month as of the close of business on the Installment Due Date for which a scheduled monthly payment has not been made or as of the close of business on the Due Date stated in the notice of acceleration given pursuant to the due-on-sale provision in the loan.

The loan is considered to remain in Default until filing of a claim so long as such periodic payment has not been made or such basis for Appropriate Proceedings remains.

For example, a Loan is *three months in Default* if the monthly installments due on January 1 through March 1 remain unpaid as of the close of business on March 31, or if a basis for acceleration and Appropriate Proceedings exists for a continuous period of three months.

16.2 Servicer Responsibilities

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 FHLBank Indianapolis' 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 FHLBank Indianapolis 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 FHLBank Indianapolis 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 the FHLBank Indianapolis. Contact defaultreporting@fhlbi.com to coordinate Servicer actions in such matters.

16.3 Delinquency Rates

The Servicer's continued eligibility to service mortgages for FHLBank Indianapolis is contingent on maintaining delinquency rates that are acceptable to FHLBank Indianapolis. FHLBank Indianapolis may disqualify or suspend a Servicer if their 30, 60, or 90 day delinquency rate or REO Rate for FHLBank Indianapolis mortgages is more than 50% higher than the mortgage bankers association's (or other source approved by FHLBank Indianapolis) average 30, 60, or 90 day delinquency rate, or REO rate, for all mortgages in the same geographical area in which the properties that secure the mortgages serviced by the Servicer are located.

Termination of the Servicer shall be the sole remedy for any failure of the Servicer to maintain the delinquency rates beneath the thresholds provided in this section ([Section 16.3](#)).

16.4 Inspection

The Servicer must inspect a property that secures a delinquent mortgage before the 90th day of delinquency. After the Servicer's initial inspection and until such time as the mortgage is referred for foreclosure, the Servicer should schedule subsequent property inspections for delinquent mortgages as often as it considers necessary to protect FHLBank Indianapolis' interests.

Particular attention should be paid to properties located in areas that have a high rate of vandalism and neglect. See also [Section 10.2.8](#) regarding Inspection of Properties.

16.5 Loss Mitigation Review

The Servicer should actively pursue collection and loss mitigation options on delinquent loans pursuant to the GSE guidelines including repay plans, modifications, Short Sales and Deeds-in-Lieu of Foreclosure. FHLBank Indianapolis does not require prior approval for short term repayment plans that may be

established and monitored by the Servicer. However, the Servicer should make FHLBank Indianapolis aware of any plan they establish and provide status updates upon request.

Additional loss mitigation efforts such as Loan Modification, Short Sale, and Deed in Lieu of Foreclosure require FHLBank Indianapolis approval.

If insured by a PMI or SMI policy, MI approval is also required. See [Section 10.2.9](#) of this Guide for modification details.

Hardship Packages

When reviewing for loss mitigation approval, unless there are extenuating circumstances, the Servicer should submit a complete hardship package to FHLBank Indianapolis for review and decision. FHLBank Indianapolis will insist on clear, current, and accurate information. Incomplete or inaccurate requests may be denied.

The hardship package should consist of the following:

Required Item	Modification	Short Sale	Deed in Lieu
Proposed HUD-1		X	
Appraisal/BPO	X	X	X
Estimated Payoff Amount (Through the proposed Resolution Date)		X	X
Reinstatement figures (Through the proposed Resolution Date)	X		
Hardship Letter	X	X	X
Financial Statement (illustrating monthly income & monthly debt)	X	X	X
Credit Report	X	X	X
Proof of Income (last two months pay stubs)	X	X	X
Bank Statements (last two months)	X	X	X
Taxes (tax returns from last two years filed)	X	X	X
Purchase Offer		X	
Listing Agreement		X	
PMI/SMI Approval (if applicable)	X	X	X

16.6 Foreclosure Bidding Instructions

If foreclosure is necessary, the action should be prosecuted in the name of the Servicer. Foreclosing in the name of MERS is also acceptable in some cases but may not be an option in all states. If the Servicer is the successful bidder at the foreclosure sale, title should be placed in the Servicer's name for REO marketing.

The bidding should always begin at the lowest bid amount acceptable in each state. If the auction is competitive, the bidding process should be continued until the maximum bid amount is reached.

16.6.1 Loans with PMI or SMI

For loans with PMI or SMI, the Servicer should refer to the insurance provider's Guide for directions on how to bid at foreclosure sale.

16.6.2 Loans without PMI or SMI

For all loans in Michigan and Minnesota, the maximum bid should be the total debt.

In all other states, the bid amount is based on the Fair Market Value of the property. For the purposes of calculating a Fair Market Value, the servicer should obtain a BPO and an Appraisal from separate sources. Both valuations should be reviewed for quality assurance.

1. The lower value should be subtracted from the higher value to determine the *value variance*.
2. The two values should be averaged together to obtain the *averaged value*.
3. The value variance should then be divided by the averaged value to determine the *variance percentage*.
4. If the variance percentage is less than or equal to 15%, the average value should be used as the Fair Market Value and applied as listed below to determine the maximum bid:
 - If the Value is \leq \$99,999 bid up to total debt or 85% of the fair market value; whichever is lower.
 - If the Value is between \$100,000 - \$225,000 bid up to total debt or 88% of the fair market value; whichever is lower.
 - If the Value is \geq \$225,001 bid up to total debt or 90% of the fair market value; whichever is lower.

If the variance percentage is greater than 15%, contact FHLBank Indianapolis for direction before bidding.

16.7 Foreclosure Sale Results/REO Notifications

For loans with PMI or SMI, the Servicer should refer to the insurance provider's Guide for directions on proper sale notification to the insurance provider.

In addition, the Servicer should notify FHLBank Indianapolis of the foreclosure sale results within two business days from when the sale took place. The results should include all of the following:

- Foreclosure Sale Date
- Redemption Expiration (if applicable)
- Estimated Confirmation/Ratification Date (if applicable)
- Winning Bid Price
- Winning Bidder
- Occupancy Status
- Documentation of the values used for bidding

16.8 Default Principal Balance Liquidation

Upon completion of a short sale, deed in lieu of foreclosure, foreclosure sale or post-sale confirmation or ratification, as applicable, the servicer must remit to the FHLBank Indianapolis the full unpaid principal

balance and remaining interest. The full payoff of the unpaid principal and interest must be included in the next possible month-end cutoff for remittance.

16.9 Cash for Keys

In lieu of proceeding with eviction, Servicers may engage in Cash for Keys negotiations with the borrower/occupant.

1. For loans with SMI, the Servicer must seek approval from the SMI provider to ensure reimbursement of the cash for keys expense on the SMI claim.
2. All Cash for Keys offers require prior approval from FHLBank Indianapolis.

16.10 Listing and Sale of REO Properties

Immediately after the Servicer has obtained title to a property and the property is vacated, the Servicer should secure the property, remove debris, and take any emergency action necessary to preserve and protect the property. The Servicer should then obtain a Broker's Price Opinion and Appraisal and contract with an agent for listing and sale of the property. FHLBank Indianapolis (and the SMI provider, if applicable) should be involved in listing and sale decisions as well as repair decisions regarding the REO property.

The BPO, Appraisal, and any repair bids should be presented to FHLBank Indianapolis (and the SMI provider, if applicable) along with a recommendation for a listing strategy. Property repair and listing guidance is provided to the Servicer by FHLBank Indianapolis (and the SMI provider, if applicable). Failure to list properties for sale or to present offers to FHLBank Indianapolis in a timely manner may result in an adjustment to the final claim settlement.

16.11 Claim Filing

If PMI coverage is required under the FHLBank Indianapolis Guide, the PMI claim must be settled prior to filing a claim with the SMI provider and/or FHLBank Indianapolis. For loans with SMI, the Servicer should refer to the SMI provider's Guide for directions regarding claim filing.

16.11.1 Loans without SMI

A claim should be filed with FHLBank Indianapolis within 30 days of the REO settlement, approved short sale settlement, or foreclosure sale to a third party. Failure to submit claim within 30 days may result in adjustments and curtailments.

The Claim for Loss form must be completed in full and must include the submission date, the signature of an authorized representative, and must be accompanied by the necessary supporting documentation. Failure to provide a complete claim may result in a delay in claim payment.


1. **Supporting documentation should include:**
 - a. If applicable, a copy of the PMI claim and the PMI carrier's explanation of payment.

- b. The most current BPO and/or appraisal.
 - c. A copy of the HUD-1/CD from the sale closing (unless sold to a third party at foreclosure sale).
 - d. An itemized loan transaction history with clearly marked entries illustrating the escrow balance at the time of default, subsequent escrow disbursements and corporate advances.
 - e. Copies of documentation (i.e., invoices) associated with all expenses claimed.
 - f. If property repairs are claimed, please include any documentation to support that the servicer was diligent in maintaining the property.
- 2. Claimable items may include:**
- a. UPB
 - b. Accrued interest at the Note Rate through the date of claim filing or the date the claim should have been filed, whichever comes first. (Unacceptable delays may result in a curtailment of the claim.)
 - c. Attorney's fees.
 - d. Statutory expenses.
 - e. Post-default hazard insurance premiums advanced (prorated through the date of sale settlement or third-party foreclosure sale.)
 - f. Reasonable property preservation expenses.
 - g. Appraisal/BPO.
- 3. Credit on the claim should be given for:**
- a. Funds in escrow at the time of default.
 - b. Any and all rental monies received.
 - c. PMI claim settlement funds.
 - d. Hazard insurance premium refunds.
 - e. Hazard insurance claim settlements.
 - f. Any proceeds from an approved sale closing as represented on the HUD-1/CD.
 - g. Any other funds received and held in suspense.
 - h. Any contributions provided by the borrower.
- 4. Examples of non-claimable expenses may include:**
- a. Unauthorized property repairs.
 - b. Late Charges.
 - c. Penalty interest or compounded interest.
 - d. Attorney referral fees.
 - e. Property preservation expenses over and above customary amounts.

5. FHLBank Indianapolis **Claim for Loss Form Instructions:**

The FHLBank Indianapolis Claim for Loss form may be accessed [here](#) on the FHLBank Indianapolis website. Refer to the following graphics for assistance when completing the form:

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Federal Home Loan Bank of Indianapolis

Claim for Loss

(1) Claim Type (2) Date of Claim Submission

<input type="checkbox"/> Initial	<input type="checkbox"/> Supplemental		
----------------------------------	---------------------------------------	--	--

(3) Servicer Name City State Zip

--	--	--	--

(6) Loan Number

--	--

(7) Property Address City State Zip

--	--	--	--

(8) Payee Name (if different than Servicer)

--

(9) Payee Address City State Zip

--	--	--	--

Comments:

Supporting Documentation to be included with the Claim:

- Copy of the PMI claim and Explanation of Benefits, if applicable.
- The most recent BPO and/or appraisal.
- A copy of the HUD1 from the REO sale closing (Unless sold to a 3rd party at foreclosure sale).
 - If sold to a 3rd party bidder, include a copy of the bidding instructions and copy of the disbursement check.
- An itemized loan transaction history with clearly marked entries illustrating the escrow balance at the time of default, subsequent escrow disbursements, and corporate advances.
- Copies of documentation (i.e. Invoices) associated with all expenses claimed.
- If property repairs are claimed, please include any documentation to support that the Servicer was diligent in maintaining the property.

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Check **Initial** for a first time claim on a loan. For an additional claim on the same loan, check **Supplemental**.

Please note any additional information in the comments section that may be helpful when reviewing the claim for payment.

Claimed Expense Detail

(10) Attorney Fees for Default Handling (Foreclosure, Bankruptcy, Eviction, etc.)

Date Paid	Description (Type of service)	Amount	
			(10) Sub-Total

(11) Statutory Expenses (and attorney costs)

Date Paid	Description (Type of tax and coverage period)	Amount	
			(11) Sub-Total

(12) Property Tax

Date Paid	Description	Amount	
			(12) Sub-Total

(13) Hazard Insu

Date Paid	Description	Amount	
			(13) Sub-Total

If additional space is needed in any particular expense section, you may utilize the space in section 16 and/or itemize additional items on the back of the claim form.

If listing items on the back of the claim form, use the last line of the appropriate section to reference the itemization and the total itemized amount.

(14) Mortgage Insurance Premiums

Date Paid	Coverage period and monthly premium amount	Amount	(14) Sub-Total

(15) Property Preservation Costs

Date Paid	Description	Amount	
			(15) Sub-Total

(16) Other Disbursements

Date Paid	Description	Amount	
			(16) Sub-Total

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Claim Summary

Principal and Interest

(17) Principal Balance (17)

	From	to	# of Days	Rate	
(18) Interest	<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>	(18) <input type="text"/>
(19) Sub-total for Principal and Interest					(19) <input type="text"/>

Claimable Expenses

(20) Attorney Fees (sub-total from Line 10) (20)

(21) Statutory Expenses (sub-total from Line 11) (21)

(22) Property Taxes (sub-total from Line 12) (22)

(23) Hazard Insurance (sub-total from Line 13) (23)

(24) MI Premiums (sub-total from Line 14) (24)

(25) Property Preservation (sub-total from Line 15) (25)

(26) Other Expenses (sub-total from Line 16) (26)

(27) Sub-total for Claimed Expenses (27)

Deductible Items

(28) Escrow Account Balance (28)

(29) Funds Held in Suspense (29)

(30) MI Claim Proceeds (30)

(31) Hazard Insurance Premium Refund (31)

(32) Hazard Insurance Claim Proceeds (32)

(33) REO Net Sale Proceeds (33)

(34) Other Deductions (34)

(35) Sub-total for Deductible Items (35)

Net Claim Amount

(36) Net Claim Amount

Review the following helpful hints when completing fields on this page:

Line 17 – The Borrower’s Unpaid Principal Balance.

Line 18 – Enter the interest paid thru date (not the next payment date) and the claim filing date. Using the full Note rate and the number of days, calculate the amount of interest being claimed.

Line 28 – Positive escrow balance at the time of default.

Line 30 – Should be supported by the PMI explanation of benefits.

Line 31 – Calculated as the unearned premium refund.

Line 33 – Net proceeds from the HUD-1/CD or third party bid amount.

Line 34 – May include rents or any other deductions to reduce the loss amount.

Email Address Phone Number

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6. Claim Submission

Completed claim forms should be printed, signed, and imaged. Claims and all supporting documentation should be emailed to either Steve Broviak at sbroviak@fhlbi.com or Laurel Harpster at: lharpster@fhlbi.com.

Claims not sent electronically may be mailed to:

FHLBank Indianapolis

Attn: MPP Claims

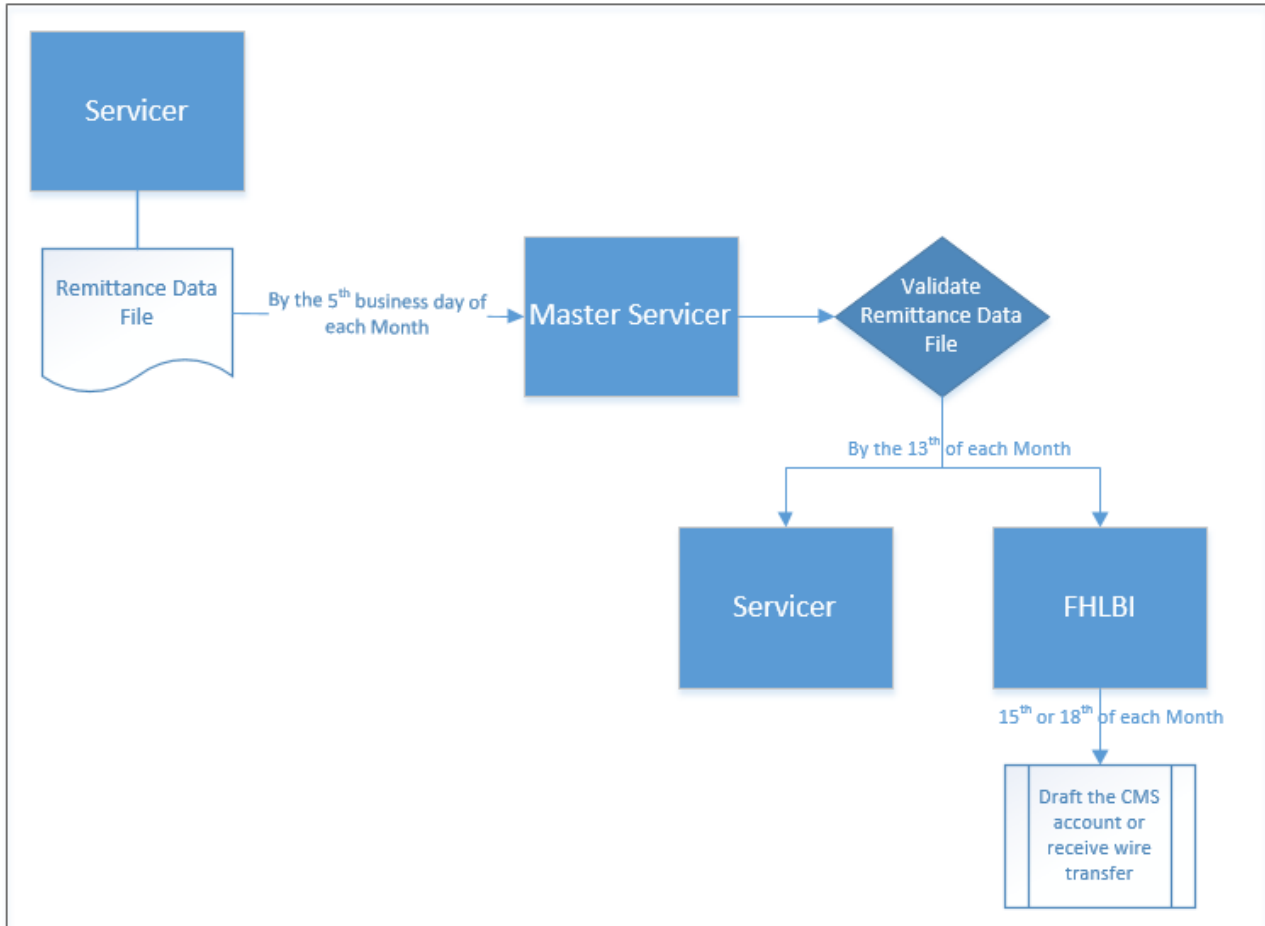
8250 Woodfield Crossing Blvd.

Indianapolis IN 46240

17. Remittance Reporting Requirements

The Servicer is required to provide remittance data to the Master Servicer each month, beginning in the month following purchase. The complete and accurate remittance data report is to be submitted to the Master Servicer no later than the **fifth** business day of each month.

Process Flow for Monthly Remittance Submission



17.1 Remittance Reporting Submission

1. The submission method chosen should be based on mortgage servicing volume, and implementation must be coordinated with the Master Servicer and FHLBank Indianapolis.
2. Servicers may choose from the following reporting methods:
 - a. Emailed file as an attachment.
 - b. Other electronic form that is acceptable to the Master Servicer.
 - c. Hard copy/paper (a fee may be assessed).
3. The format for submitting remittance reporting to the Master Servicer should be as follows:
 - a. Excel file in compliance with the reporting template listed as Appendix C.
 - b. Other consistent format approved by the master servicer and FHLBank Indianapolis.
 - 1) For submission of a format that does not conform to the template provided in Appendix C, the format should be reviewed and accepted by the Master Servicer and FHLBank Indianapolis before being deemed compliant with this Guide.

17.2 Penalties for Late Submission

A Servicer that fails to provide accurate remittance data reports to the Master Servicer on or before the **fifth** business day of each calendar month or that submits incomplete or inaccurate accounting or servicing reports violates its responsibilities and is subject to the following remedies for offenses in any consecutive 12-month period:

1st Late Offense	2 nd Late Offense	3rd Late Offense
Warning letter may be sent to the managing officer of the institution, with a copy to the Accounting Department.	Servicer is charged a \$250.00 late reporting fee, per report.	FHLBank Indianapolis may decline to enter into any further MDCs or MCCs.

Additional fees may be assessed to the Servicer if additional fees are assessed to FHLBank Indianapolis.

FHLBank Indianapolis reserves the right to change the late reporting fee and all other remedies at any time, at its sole discretion. FHLBank Indianapolis may debit the Seller's CMS account for late reporting fees then due from the Seller.

17.3 Monthly Reporting and Withdrawal Summary

1. If the remittance report submitted to the Master Servicer does not appear accurate or if additional information is needed, the Master Servicer will contact the Servicer directly to obtain the additional information for an acceptable report.
2. The Master Servicer will provide the Servicer and FHLBank Indianapolis with a final and validated copy of the remittance data report and a Notice of Automatic Withdrawal (NAW) on or before the 13th day of the month. Based on the amounts specified in the remittance report and NAW, FHLBank Indianapolis will debit the Seller's CMS account at FHLBank Indianapolis or receive the funds via a wire from the Servicer on the withdrawal date.
3. The withdrawal date will be the 15th of the month for FHA loans or the 18th of the month for Conventional loans (if the 15th or 18th fall on a holiday or a weekend, then the next business day will apply). These debits begin in the month following the month of purchase of a mortgage. The Servicer is responsible for assuring that sufficient funds are available for debit. If funds are being wired to FHLBank Indianapolis, the Servicer is responsible for having the funds wired on the applicable withdrawal date.
4. For each Scheduled/Scheduled MCC, the actual debit will consist of the sum of the Scheduled Interest and Scheduled Principal computed in accordance with [Section 14.1](#) and the Unscheduled Principal determined in accordance with [Section 14.1](#). For each Actual/Actual MCC, the actual debit will consist of the Actual Principal and Actual Interest computed in accordance with [Section 14.2](#).

18. Repurchase

18.1 Involuntary Repurchase

FHLBank Indianapolis has the right to require the Seller or the Servicer, as applicable, to repurchase any mortgage under any of these circumstances:

1. If the SMI provider rescinds SMI coverage, FHLBank Indianapolis will require immediate repurchase of the loan on the basis of the SMI rescission.
2. If the Seller or Servicer breaches any of the representations, warranties, or covenants made with respect to the mortgage as stated in the program documents.
3. If a mortgage fails to meet the quality assurance review of FHLBank Indianapolis requirements and the defects are not corrected within 30 days of notice.
4. If a loss claim is rejected by the SMI provider or FHLBank Indianapolis resulting from a breach by the Seller or the Servicer, as applicable, of any representation, warranty, or covenant made in this Guide or any other program documents.
5. Delays in foreclosing on the property violate this MPP Guide, which requires Servicers to protect FHLBank Indianapolis' interest.
6. With respect to any Mortgage Loan, if the related Mortgagor fails to make the first, second, third or fourth Monthly Payments due to FHLBank Indianapolis (the Bank) after the related Settlement Date by the last day of the calendar month in which such Monthly Payment is due, the Seller shall, at the Bank's option, repurchase such Mortgage Loan as set forth in the Guide.

Within thirty calendar days of the Seller/Servicer's receipt of a repurchase demand, the Seller/Servicer shall repurchase the mortgage for an amount equal to:

1. The sum of the UPB (determined as of the date of repurchase) plus the premium paid on the funding date, if any, (determined by multiplying the purchase price by the settlement principal balance) plus interest accrued at the mortgage pass-through rate from the first day of the calendar month in which repurchase occurs to and through the end of the month in which repurchase occurs.
2. All out-of-pocket costs and expenses incurred by FHLBank Indianapolis in connection with the repurchase of the mortgage, including all documentary stamp taxes, recording fees, transfer taxes, attorney's fees, court costs, and legal expenses.
3. If the Seller is required to repurchase the mortgage, the Seller may not submit a Claim for Loss form to the SMI provider or FHLBank Indianapolis.

18.2 Voluntary Repurchase

The Seller/Servicer may repurchase a delinquent FHA loan as detailed in [Section 14.3](#) of this Guide.

The Seller/Servicer may repurchase any loan if the Seller/Servicer becomes aware that the loan does not meet FHLBank Indianapolis requirements. Such repurchase requires notification to FHLBank Indianapolis and the purchase amount is calculated as described in [Section 18.1](#) above.

The Seller/Servicer may repurchase loan(s) for other reasons only with the prior approval by FHLBank Indianapolis.

18.3 Indemnification

The Seller shall indemnify FHLBank Indianapolis against, and hold FHLBank Indianapolis harmless from, all costs, including attorney's fees, arising out of any breach of a representation, warranty, or covenant made by the Seller under the Master Agreement, this Guide, or any Program Documents, or any breach or violation of FHLBank Indianapolis Guidelines.

The foregoing indemnification shall include any costs incurred by FHLBank Indianapolis in connection with enforcing its rights under the Master Agreement, this Guide, any Program Documents, or any breach or violation of FHLBank Indianapolis Guidelines, or defending against any claim, demand, or assertion against FHLBank Indianapolis by a third party arising out of a breach of a representation, warranty, or covenant made by the Seller in this Master Agreement, this Guide, or any Program Documents.

The Seller's indemnification pursuant to this section ([Section 18.3](#)) shall survive the purchase and delivery of the mortgages, their liquidation or repurchase, and any suspension or termination of the Seller's selling privileges or the termination of this Master Agreement or any other Program Documents.

18.4 Offset

FHLBank Indianapolis may offset against the price for any mortgage delivered for purchase by the Seller, or against any other amounts owed by FHLBank Indianapolis to the Seller pursuant to an MDC between the Seller and FHLBank Indianapolis, any outstanding amounts owed to FHLBank Indianapolis by the Seller or any affiliate of the Seller as provided in the Master Agreement.

19. Participations

FHLBank Indianapolis may make available, for purchase by third parties, including, without limitation, other FHLBank's, interests, whether whole or partial, in mortgages sold or to be sold by Sellers under MPP.

Such sales of mortgages will not affect agreements entered into by Sellers and FHLBank Indianapolis, including, without limitation, Master Agreements, MCCs and MDCs.



Advantage MPP

Mortgage Purchase Program Appendices

Effective Date | 08-07-2023

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Appendices

Appendix A: Document Custodian Manual

1.1 Role & Responsibilities

Role

The role of the Document Custodian is primarily to maintain physical and custodial possession of Custody Files on behalf of the Seller and FHLBank Indianapolis. This responsibility continues for the life of the mortgage or until its custodial responsibilities are transferred to another Document Custodian by the Seller or FHLBank Indianapolis, or otherwise terminated.

The Document Custodian is required to assure FHLBank Indianapolis that mortgages are represented by the documents placed in the Document Custodian's custody. The Document Custodian performs this function through a process of certifications and recertifications. Custodial guidelines for the certification and recertification processes are outlined in this manual.

Responsibilities

As the holder of collateral documents for FHLBank Indianapolis, the Document Custodian's primary responsibilities are as follows:

- Physical safekeeping of Custody Files.
- Certifying the completeness and consistency of mortgage documents.
- Maintaining physical and custodial responsibility over the release and transfer of mortgage documents.

The Document Custodian shall perform the foregoing responsibilities in compliance with this Document Custodian Manual and the FHLBank Indianapolis Guidelines. In addition, see the Operational Procedures section for custodial duties.

Custodial Agreement

1. The Seller must obtain the services of an eligible custodial institution to hold all Custody Files. It is the responsibility of the Seller to select an eligible Document Custodian and execute a Custodial Agreement. A Custodial Agreement covers all mortgages for which the institution serves as the Document Custodian.
2. The Custodial Agreement sets forth the responsibilities of both the Seller and the Document Custodian in the MPP.
3. The Document Custodian must enter into a Custodial Agreement with each Seller for which it serves as a Document Custodian.
4. The Document Custodian negotiates directly with the Seller all compensation for the performance of its custodial duties as stipulated in the Custodial Agreement.

5. As a provision in the Custodial Agreement, FHLBank Indianapolis recognizes the Document Custodian as an agent of FHLBank Indianapolis.

Note: FHLBank Indianapolis has no obligation to pay any compensation to Document Custodians for services rendered.

Record Keeping Requirements

The Document Custodian is required to protect the Custody Files physically in its custody. FHLBank Indianapolis requires the performance of reasonable procedures to protect the documents located in Custody Files from theft, misplacement, fire, or another calamity.

To fulfill this safekeeping obligation, the Document Custodian is required to store Custody Files in Physical Form in a secure, fire-resistant facility, and Custody Files in Electronic Form in a secure Electronic Vault, as detailed in Section 1.4.1.3 (Physical Security) of this manual and to develop and enforce procedures that:

- Prevent unauthorized access to the documents.
- Maintain custody over all documents received.
- Permit the regular identification of all Mortgage Documents held or released by Document Custodian.

1.1.1.1 Control of Documents

The Document Custodian is required to retain all Custody Files in Physical Form in one permanent storage location as identified by the address of record on file with FHLBank Indianapolis and all Custody Files in Electronic Form segregated in the Electronic Vault.

The Document Custodian is required to permit representatives of the Seller or FHLBank Indianapolis (including FHLBank Indianapolis' agents) to inspect any documents relating to mortgages in the Document Custodian's custody.

The Seller may request removal of individual Custody Files or Mortgage Documents by sending the Document Custodian a Document Release Form (see Exhibit A).

1.1.1.2 FHLBank Indianapolis Forms and Other Loan Documents

In its fiduciary role, a Document Custodian is required to review, accept, and maintain various types of documents relating to the mortgages.

It is the responsibility of the Seller to fully and accurately complete required forms before delivery to the Document Custodian. As required by Section 1.4.1.3 (Inventory Accounting) of this manual, it is the responsibility of the Document Custodian to obtain from the Seller a copy of a Corporate Resolution listing officers authorized to execute the appropriate documents and hold such documentation in its Master File. If a Document Custodian discovers mortgage documentation to be incomplete or otherwise deficient, it must return the documents to the Seller for correction (see Section on Missing Document Resolution).

Appendices

1.2 Eligibility

General Requirements

1. The Document Custodian works under the Custodial Agreement with the Seller and FHLBank Indianapolis. In order to become a Document Custodian, an institution must meet the following eligibility requirements:
 - a. A financial institution must meet the requirements set forth in the certification in clauses one through four of the Custodial Agreement.
 - b. Maintain physically secure, minimum 1-1/2hour fire-resistant storage facilities.
 - c. Employ knowledgeable personnel.
 - d. Maintain minimum insurance coverage requirements as provided in this manual (see Insurance section below).
2. A Document Custodian who wishes to be approved for custody of eNotes must contact FHLBank Indianapolis to determine its eligibility and obtain prior written approval. As part of the review and approval process, FHLBank Indianapolis will have to review and approve the Document Custodian's Electronic System and verify that Document Custodian is currently an approved custodian of E-eNotes for Freddie Mac or Fannie Mae.
3. The Seller and the Document Custodian must provide any additional documentation as requested by FHLBank Indianapolis.

Insurance

The Document Custodian must maintain insurance coverage under an institutional bond or equivalent that provides Fidelity and Lost Instrument coverage and provides Errors and Omissions coverage as listed below.

The financial institutional bond must cover any loss resulting from employee dishonesty and must cover damage, destruction to, or loss of any Notes and assignments whether on site or in transit.

1. Required Coverage
 - a. Errors and Omissions insurance must cover claims resulting from breach of duty, neglect, errors or omissions, or other wrongful acts.
 - b. Insurance must be underwritten by an insurer that has a rating of at least B+ and a financial size category of VI or better as rated by A.M. Best or must be underwritten by Lloyds of London.
 - c. Professional liability insurance (including cyber insurance) that conforms to the insurance requirements established either by Freddie Mac or Fannie Mae for eNote and eMortgage document custodians from time to time.
 - d. All-risk physical damage insurance as may be required by Freddie Mac or Fannie Mae eNote and eMortgage document custodians from time to time.
 - e. Insurance coverage must be in amounts deemed adequate for the number of Notes and assignments held in custody based on prudent business practices.
Each policy must have a deductible not more than the greater of 5% of the custodian's net worth as determined under generally accepted accounting principles (GAAP) net worth or \$100,000, but in no case greater than \$10 million.

If the Document Custodian is covered under the insurance of its parent company, the deductible amounts are the same as above based on the parent's net worth, the Document Custodian must be a named insured, and the policy must meet all other requirements as listed.

Related-Party Document Custodians

A related-party Document Custodian is defined as either the Seller acting as Document Custodian (Self-Custody) or an affiliate of the Seller acting as Document Custodian (affiliated Document Custodian).

1. Self-Custody
 - a. The Seller, while acting as Document Custodian, must maintain custody of the Custody Files in a trust department that is physically separate from the servicing area and that maintains separate personnel, files, and operations, unless FHLBank Indianapolis approves an exception to this requirement.
 - b. The Seller, while acting as Document Custodian, must have obtained prior approval from its primary regulator to exercise fiduciary powers. These fiduciary powers must include ordinary trust services, such as:
 - Personal trust services
 - Personal representative services
 - Guardianship
 - Custodian services
 - And/or investment advisory services offered to the public and may not be limited to maintaining custody of documents for FHLBank Indianapolis.
 - c. The trust service function of the Seller while acting as Document Custodian must be subject to periodic review and inspection by its primary regulator.
2. Affiliated Document Custodian
 - a. The Seller-affiliated Document Custodian must meet all of the requirements of Self-Custody and maintain custody of the Custody Files in a separate trust department.
 - b. If the Custody Files are not maintained in a separate trust department, the Seller must provide evidence satisfactory to FHLBank Indianapolis that the Seller and the affiliated Document Custodian are vertically independent, which means that the persons having hiring, supervising, and compensation authority over employees of the Seller performing mortgage origination, selling, or servicing functions are different from the persons having similar authority over the employees of the Seller exercising its Document Custodian functions.
 - c. The document custodial function of an affiliated Document Custodian must be subject to periodic review and inspection by its primary regulator.

1.3 Certification Process

Certification Process

The Document Custodian accesses FHLBank Indianapolis' Loan Acquisition System (LAS) and identifies the mandatory delivery contract (MDC) to be certified. When the appropriate MDC has been selected, the Document Custodian grants the certification (Initial Certification or Recertification) by clicking on the appropriate button in LAS.

This action certifies that all required documents meet the standards as set out in this Document Custodian Manual. Should the certification be incomplete, in addition to certifying in LAS, the Document Custodian must sign and date the document certification for mortgages sold, identify the name and address of the Document Custodian and the name and title of the officer who signed the certification, and attach the required schedules (faxed and/or emailed certifications and schedules are acceptable).

It is at the discretion of FHLBank Indianapolis whether incomplete Certifications are acceptable.

Before providing Certification, the Document Custodian is required to review the Custody Files for missing, incomplete or inconsistent documents.

If defective documents are identified, the Document Custodian is required to notify the Seller in a timely manner. It is the Seller's responsibility to correct or resolve any defects identified by the Document Custodian or to provide the Document Custodian with adequate clarification for those defects that are not considered material.

This responsibility continues for the life of the mortgage. The Document Custodian is responsible for verifying that all necessary corrections have been made by the Seller before making any certification.

Certification Responsibilities

In accordance with the terms and conditions of the Custodial Agreement and this manual, the Seller must deliver the documents set forth in Section 1.3.3 to the Document Custodian as the documents become available.

At the discretion of the Document Custodian and the Seller, documents may be delivered on a piecemeal basis or after all required documents have been received for individual Custody Files.

The Document Custodian is responsible for the following:

1. Accept the documents when delivered.
2. Ascertain that the documents relate to mortgages listed on a related schedule to an MDC.
3. Review documents for completeness and consistency in accordance with the review procedures required by this manual.
4. Notify the Seller of any documents received that require correction or completion before Certification can be made.

Appendices

5. Certify that the documents received satisfy the requirements of Initial Certification and, if necessary, Recertification.

Initial Certification

The Custody File must contain the following documents, all of which must be delivered¹ to the Document Custodian at least one business day prior to the applicable Settlement Date for a particular MDC:

1. **Note.** With respect to a Note in Physical Form, the original Note bearing a complete chain of endorsements from the originator to Seller and further endorsed “pay to the order of _____, without recourse” and the blank line in the endorsement should remain blank (no name filled in). The endorsement should be signed below on behalf of the Seller by an authorized representative (authorized by the Seller’s corporate resolution) signed by an individual authorized by a corporate resolution in the name of the Seller. With respect to an eNote, an electronic copy of the eNote and designations in this eRegistry reflecting:
 - a. The document custodian as ‘Location’ (signifying the location of the Authoritative Copy)
 - b. The Federal Home Loan Bank of Indianapolis (Org ID 1001347) as ‘Controller’.
 - c. The document custodian as the ‘Delegatee for Transfers’

The eNote shall contain a tamper evident seal, a physical representation of an electronic signature present and the borrower’s name shall be typed below the electronic signature.

2. **Security Instrument.** A copy of the Security instrument, signed by the mortgagor, that was recorded or sent for recording.
3. **Assignments.** Copies of any interim Assignments of the Security Instrument that were recorded or sent for recording, as applicable, such as when the Seller did not originate the Mortgage or if the Mortgage has been assigned to MERS, and an original Assignment of the Security Instrument to Federal Home Loan Bank of Indianapolis in recordable form but unrecorded (not required for mortgages on MERS). The Assignment of Security Instrument must be to Federal Home Loan Bank of Indianapolis and must not include a recitation that the assignment of the mortgage or lien is “without recourse.” In general, recordable form is whatever form the local recorder’s office requires. If state law does not specifically address the information required for recording, the following information should be included in the Assignment of the Security Instrument:
 - a. Date of Execution
 - b. Lender Name
 - c. Borrower Name
 - d. Legal description of the property
 - e. Recording information related to the Security Instrument such as the deed book and page number or the instrument number.
 - f. Original mortgage amount
 - g. Date of the mortgage
 - h. Authorized signature (must be on Corporate Resolution)
 - i. Appropriate notarization

¹ “Delivery” means full compliance with the definition of “Delivery of Custody Files.”

4. The originals of any assumption, modification, consolidation, subordination, or extension agreements, with evidence of recording thereon, or copies thereof certified by Seller, if any.
5. A copy of the Power of Attorney (POA) that was sent for recording, as applicable, such as if an attorney-in-fact signed the mortgage note on a borrower's behalf.
6. The original or copy of the mortgagee title insurance policy or a copy of the preliminary title commitment showing the policy number or preliminary attorney's opinion of title.

1.3.1.1 Initial Certification Procedures

At a minimum, the Document Custodian is required to perform the following review procedures for Initial Certification (any defects discovered based on performing the review procedures must be referred on a timely basis to the Seller for correction):

1. Note

- a. Verify that each item listed below is the same on both the Promissory Note and the related schedule to the MDC:
 - i. Mortgagor Name(s)
 - ii. Principal Amount
 - iii. Interest Rate
 - iv. Monthly Principal and Interest (P&I) Payment
 - v. Term of the mortgage (first and last payment due dates)
 - vi. Property street address, city, and state (if property address is included on the Note).
The address on the Note may be the borrower's mailing address instead of the property address.
- b. Verify that each signature on the Note agrees with the name typed below the signature line it appears on. FHLBank Indianapolis will accept Notes with undersigning with name affidavit if applicable or oversigning by the borrower. Follow Fannie Mae or Freddie Mac guidelines regarding oversigning and undersigning documents
- c. Verify that a complete chain of endorsement exists from the originator of the mortgage to the Seller or one of its affiliates. FHLBank Indianapolis requires that the chain of endorsements from the originator of the mortgage to the current Seller for the Note and assignments must be complete. The Note endorsement may be from originator to company "C" and the interim assignments may be from originator to company "B," then to company "C." Both documents have a complete chain of title, even though the two chains are not identical. The endorsement should not include a date. All endorsements must be on the last page of the Note unless there is not space available. If space is not available on the Note, the endorsement should be placed on an allonge, which references the note. If an erroneous endorsement is discovered that interferes with the chain of title after receipt by the Document Custodian and cancellation of the endorsement is being proposed, the Seller must resolve the error. If this is not possible, the Seller's qualified outside legal counsel must review and agree with the proposed cancellation in writing.

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- d. For physical Notes, determine that the Seller endorsement in blank and without recourse was made by an authorized officer.
- FHLBank Indianapolis permits the use of facsimile signatures when placing the blank endorsement on original Notes, as long as the following conditions are met:
- i. The use of facsimile signatures is acceptable under the laws of the relevant jurisdiction in which the property is located.
 - ii. Such signatures are not prohibited under the Seller’s corporate charter and by-laws.
 - iii. The use of such signatures is authorized by a resolution duly enacted by the Seller’s Board of Directors.
 - iv. Such signatures must be notarized when required by jurisdictional law.
- e. Examine the Promissory Note for sections requiring a notarization, acknowledgment, or witness. If required, verify that such sections have been completed.
- f. If an eNote, verify that the eNote contains (i) the required “Transferable Record Clause”, (ii) a header indicating “For Electronic Signature” and (iii) a tamper evident signature.
- g. Verify that each rider, allonge, or addendum relates to and references the Note. The Note may reference the allonge, but such reference is not required. The rider, allonge or addendum must be an original if it requires a signature. If an allonge is required for a Note correction, the corrective documents must be filed with and attached to the original Note.
- h. In the case of a missing original Note, the Document Custodian must request that the Seller provide a copy of the Note with original signatures by the borrower(s) or obtain a lost instrument bond with unlimited liability in the form prescribed by FHLBank Indianapolis from an insurance or surety company. The bond must be accompanied by the appropriate POA and Certification as required by the insurance or Surety Company.
- If the original Note is missing and the Seller has exhausted all reasonable means of obtaining the original note or cannot satisfy the above requirements, FHLBank Indianapolis may authorize the Seller to substitute a Lost Note Affidavit (LNA), or similar substitute documentation for a missing note. If an LNA is utilized, the Document Custodian should examine the LNA to determine that a copy of the security instrument or the Note is attached, and that the data elements on the Note copy match the data submitted. This includes verifying that the LNA has been notarized if the format requires it. The LNA form may have a blank notary section only if the Document Custodian has a legal opinion from the Servicer’s counsel stating that notarization is not required in the jurisdictions in question.

Important: FHLBank Indianapolis holds the Seller responsible for any losses or litigation that may arise due to the missing Note regardless of whether or not an LNA was accepted.

- i. Verify for any Lost Instrument bond with unlimited liability that each of the items listed below are placed on the bond:
 - i. Name of Seller purchasing the bond
 - ii. FHLBank Indianapolis Mortgage Number
 - iii. current Seller Mortgage Number
 - iv. Name of original Mortgagor

- v. Address of property
- vi. Mortgage recording information
- vii. Date the bond was executed by surety or insurance company
- viii. Name of surety or insurance company
- ix. Signature of representative for surety or insurance company
- x. Appropriate POA and Certification as required by surety or insurance company

2. Assignments to the Federal Home Loan Bank of Indianapolis (not required for mortgages on MERS)

- a. Verify that an original Assignment of Security Instrument to the Federal Home Loan Bank of Indianapolis, signed by the current Seller, exists for each mortgage and that the assignment is in recordable form but unrecorded. Sellers are responsible for determining that the mortgage assignment is in a form acceptable for filing in the applicable local recorder's office. If an assignment has been recorded, the Seller must correct by reassignment before the loan can be certified. FHLBank Indianapolis permits the use of facsimile signatures for executing unrecorded assignments, as long as the following conditions are met:
 - i. The use of facsimile signatures is acceptable under the laws of the relevant jurisdiction.
 - ii. Such signatures are not prohibited under the Seller's Corporate Charter and By-Laws.
 - iii. The use of such signatures is authorized by a resolution duly enacted by the Seller's Board of Directors.
 - iv. Such signatures must be notarized when required by jurisdictional law.

If a jurisdiction requires that the assignee's address be shown in the assignment of mortgage, this address should be used:

Federal Home Loan Bank of Indianapolis
8250 Woodfield Crossing Blvd.
Indianapolis, IN 46240

- b. Verify that blanket assignments apply to mortgages in the same MDC and the same recording jurisdiction. FHLBank Indianapolis permits the use of blanket unrecorded assignments provided the jurisdiction accepts blanket assignments. Otherwise, individual unrecorded assignments must be prepared.

3. Copy of - Security Instrument that was sent for recording

- a. Verify that each item listed below is the same on both the security instrument and the related schedule to the MDC:
 - i. Mortgagor Name(s)
 - ii. Principal Amount
 - iii. Term of Loan (first and last payment due dates)

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- iv. Property street address, city, and state (if property address is included on the security instrument).
 - b. Determine that the date of the mortgage or other security instrument is the same as or later than the date of the promissory note.
 - c. Verify that a legal description appears on the security instrument or on an attachment to the instrument.
 - d. Verify that all signatures on the security instrument properly relate to the Note. FHLBank Indianapolis requires that if there are multiple mortgagor names on the Note, all names should be on the security instrument. If not, an explanation must be placed in the file.
 - e. Examine the security instrument for the completion of any required notarization, acknowledgment, or witness.
 - f. Verify that any rider or addendum properly relates to the security instrument.
4. **Copies of interim assignments that were sent for recording**
- a. Verify that all interim assignments follow a complete chain of title from the original lender to the Seller (or one of its affiliates) or MERS. If MERS is designated in the security instrument as a MOM loan (with MERS as the original mortgagee), no interim assignments will be required as long as the mortgage remains registered with MERS. FHLBank Indianapolis requires that the chain of endorsements from the originator of the mortgage to the current Seller for the note and assignments must be complete. The Note endorsement may be from originator to company "C" and the interim assignments may be from originator to company "B," then to company "C." Both documents must have a complete chain of title, even if the two chains are not identical.
 - b. Verify that the Mortgagor Name(s) on the assignment agrees with the related schedule to the MDC.
5. **Initial Certification**
- a. The Document Custodian must indicate Initial Certification on LAS, or, in the case of an incomplete Initial Certification, also complete the certification form for Initial Certification and submit it directly to FHLBank Indianapolis.
 - b. The Document Custodian accesses LAS and identifies the MDC to be certified. When the appropriate MDC has been selected, the Document Custodian grants the Initial Certification by clicking Grant IC in LAS. This action certifies that all required documents meet the standards as set out in this manual.
 - c. Should the Initial Certification be incomplete, in addition to certifying in LAS, the Document Custodian must sign and date the document certification for mortgages sold and indicate that this is an Initial Certification, identify the name and address of the Document Custodian and the name and title of the officer who signed the certification, and attach the required schedules (faxed and/or emailed certifications and schedules are acceptable).

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.

Recertification is required to assure FHLBank Indianapolis that the required interim assignments have been recorded and filed with the Document Custodian and that the Notes have been properly endorsed for a transfer of Seller responsibility. The recertification also confirms that the required Mortgage Documents have been received by the Document Custodian and meet FHLBank Indianapolis certification standards.

Recertification must be performed within 12 months of the transfer date for mortgages transferred in a transfer of Document Custodian or Seller responsibility.

1. For loans with a Settlement Date less than 10 years prior to the effective Transfer Date:
 - a. The Recertification can be completed using one of the following methods:
 - i. Reconcile the original mortgages listed on the initial certification form to the active mortgages listed in the Seller's current loan trial balance for the Custody Files that have been removed. Mortgages that have been satisfied must be noted or deleted by manually lining out the terminated mortgages, referring to the original schedule by attachment on the certification form, or
 - ii. Attach a list of the mortgages remaining, per the Seller's current trial balance, to the Recertification. The information provided for each mortgage must be the same as the information required on the front of the certification form.
 - b. Verify that all required mortgage documents are present and meet the minimum review standards.
 - c. If there has been a change in Seller, verify that there has been a recorded assignment of each mortgage.
 - d. If there has been a change in Seller, verify that there have been updated endorsements on the Note.
 - e. Verify that no document release, with a non-liquidation release code, is included in an active Custody File in the place of a Note. If a Document Custodian certifies a mortgage with released documents, all documents must have been received, reviewed, and been found to be certifiable at the time of release by the Document Custodian performing the certification.
 - f. Verify that all original document release forms with liquidation release codes are in the related file.
 - g. If there has been a change in Seller, verify that the recertification page of the document release contains the name, ID number, address, and signature of the substitute Seller.
 - h. Sign the certification form, indicating this is a Recertification and recertifying that all required Mortgage Documents have been received. The Document Custodian's name, address, and FHLBank Indianapolis Document Custodian number must be included on the certification form. If a problem with the Custody File is not resolved within ninety (90) days of notification to the Seller, the Document Custodian must notify FHLBank Indianapolis, and the affected mortgages will be considered uncertified until the Custody File has been corrected.
2. For loans with a Settlement Date 10 or more years before the effective Transfer Date:

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- a. The recertification can be completed using one of the following methods.
 - i. Reconcile the original mortgages listed on the original certification form to the active loans listed in the Seller's current mortgage trial balance and the document release for the Custody Files that have been removed. Mortgages that have been satisfied must be noted or deleted by manually lining out the terminated loans, referring to the original schedule by attachment on the certification form, or
 - ii. Attach a list of the remaining mortgages, per the Seller's current trial balance to the certification form being recertified. The information provided for each mortgage must be the same as the information required on the front of the certification form. Because of assumptions, the borrower's name provided on the certification form may not agree with the mortgage documents.
- b. Verify that all required mortgage documents are present and meet the following minimum review standards:
 - i. Note
 - a) Verify that the Note is an original document with an original signature or, if an eNote, bears a tamper evident electronic signature.
 - b) Verify that a complete chain of endorsement exists from the originator of the mortgage to the current Seller.
 - c) Verify that the current Seller endorsement is blank and without recourse.
 - d) For an eNote, verify that the Document Custodian is designated as the eRegistry Location, the Delegatee for Transfers and FHLBank Indianapolis is designated as the Controller with respect to such eNote on the eRegistry.
 - ii. Security instrument
 - a) Verify that the security instrument is a copy of the security instrument and matches the information on the note.
 - iii. Security instrument assignments
 - a) Verify that all interim assignments are present.
 - b) Unrecorded FHLBank Indianapolis assignments
 - 1) Verify that an original assignment to FHLBank Indianapolis signed by the current Seller exists for each mortgage and that such assignment is in recordable form, but unrecorded. If an assignment has been recorded to FHLBank Indianapolis, the Seller must correct by reassignment before the mortgage or group of mortgages can be certified.
 - 2) Verify that the mortgagor's name(s) agrees with the name(s) on the document certification for mortgages sold.
 - 3) Assignments to FHLBank Indianapolis can be completed using facsimile/laser signatures provided the signatures are:
 - 1. Acceptable under the laws of the relevant jurisdiction
 - 2. Permissible under the Seller's corporate charter and by-laws
 - 3. Authorized by a resolution duly enacted by the Seller's Board of Directors
 - 4. Notarized when required by state law.

1.4 Operational Procedures

Release and Return of Documents

1. Release Procedures

The Document Release Form lists the following reasons, by Release Reason Code, that a Seller/Servicer may use to request the release of a Custody File or document from a Document Custodian:

- a. Mortgage paid in full
- b. Foreclosure
- c. Other liquidation
- d. Non-liquidation

Seller/Servicers are authorized to request Mortgage Documents or Custody Files from the Document Custodian for one of the four reasons listed above.

The Document Custodian may rely on the Seller/Servicer's stated reason for requesting the documents without verification.

The Seller may use a computer-generated document release form provided that the format form is the same form as the printed version.

Document Custodians are required to obtain a document release in hard copy from the Seller/Servicer for each Custody File for which a release is requested and a copy of each document release form must be kept in the related Master File.

Upon receipt of the request, the Document Custodian must verify that the document release is complete and correct. If information is incorrect, the Document Custodian may make corrections for the Seller/Servicer. The Seller/Servicer and Document Custodian must agree what corrections the Document Custodian will make. Only the Seller/Servicer may sign the Form of Document Release.

The Document Custodian must verify that the Seller/Servicer completes the following:

- i. Seller institution full name, unabbreviated
- ii. Signature of authorized Seller representative
- iii. Document Custodian full name, unabbreviated
- iv. individual Custody File information
- v. Mortgagor complete name(s)
- vi. Property address
- vii. One of the four reason codes
- viii. A listing of document(s) removed in the non-liquidation section, if the entire Custody File is not requested
- ix. Seller Mortgage Number
- x. Mortgage paid in full - Settlement Date
- xi. Foreclosure - Actual Date or best estimate of Settlement Date
- xii. Other liquidation - estimated Settlement Date
- xiii. Non-liquidation - expected return date, not later than 180 days after document release date
- xiv. With respect to eNotes held in the Document Custodian's Electronic Vault, (a) direction to transfer eRegistry Control and eRegistry Location to a recipient and (b) the Org ID of such recipient.

After reviewing the prepared request for document release for completeness and consistency, the Document Custodian must record its Document Custodian Identification Number (number as assigned in LAS) and sign and date the form prior to releasing the requested Custody File or documents to the Seller.

With respect to documents maintained in the Document Custodian's Electronic Vault in Electronic Form, such documents shall be released pursuant to one of the following methods: (i) via an eVault to eVault transfer within the Electronic System and eRegistry or (ii) for any document other than an eNote such other electronic transfer as mutually agreed by FHLBank Indianapolis and the Document Custodian. Upon the Document Custodian's receipt of a duly completed Document Release Form Release, if such document is an eNote tracked on the eRegistry, the Document Custodian shall transfer eRegistry Control and eRegistry Location to the Org ID specified in such Document Release Form and the Document Custodian's Delegate for Transfer status with respect to such eNote(s) shall terminate. If an eNote ceases to be tracked on the eRegistry because it is reduced to paper (a "Papered-Out eNote"), the Document Custodian shall substitute the Papered-Out eNote for the eNote in the Custody File. The Papered-Out eNote shall be governed as a paper Note.

FHLBank Indianapolis permits the use of facsimile signatures by either the Seller or Document Custodian, as long as the signatures are permissible under the Seller or Document

Custodian's Corporate Charter and By Laws, and the use of such signatures is authorized by a resolution duly enacted by the Seller or Document Custodian's Board of Directors.

Additional information for identification purposes may be added to the request for release of documents if agreed upon by the Seller and the Document Custodian. A copy of the signed and dated form must accompany the Custody File or documents transferred to the Seller. When the Seller requests mortgages from the Document Custodian using the document release form, the Seller is responsible for appropriate insurance coverage to insure against any loss or damage to the files in transit.

2. Release Reason Codes

Reason Code 1: Mortgage Paid in Full

When a mortgage has been paid in full, the Custody File pertaining to the mortgage must not remain in the possession of the Document Custodian. The Seller must submit to the Document Custodian a document release form, no later than 30 days following the Mortgage Liquidation Date.

Reason Code 2: Foreclosure

The Seller must submit a document release form for the release of the Custody File no later than the Mortgage Liquidation Date.

Reason Code 3: Other Liquidation

This reason code must be used by Sellers for all other liquidation release reasons, including repurchase of a defective mortgage. The Seller must use the document release form to request release of the Custody File from the Document Custodian's possession.

A form with this reason code must be accompanied by a copy of the letter from FHLBank Indianapolis approving the liquidation. Once the Custody File is released to the Seller and the Document Custodian receives the document release form, the Document Custodian must update the Custody Register to reflect removed files.

The Document Custodian must retain a copy of the FHLBank Indianapolis approval letter, if applicable, in the Master File for the life of the MDC. The certification form may be maintained in an electronic medium, but the Document Custodian must be capable of producing a hard copy of the schedule upon request.

Reason Code 4: Non-Liquidation

All routine reviews of mortgage documents by the Seller's auditors or staff must be performed on the premises of the Document Custodian. The Seller may remove a Custody File only when it is necessary for carrying out the Seller's responsibilities to service mortgages.

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The Seller must use the document release form to remove a Custody File or documents from the Document Custodian's possession for a period not exceeding 180 calendar days.

Ninety days after release, if the documents have not already been returned, the Document Custodian shall notify the Seller that documents are due for return in 90 days; 180 days following release, if the documents have not already been returned, the Document Custodian shall notify the Seller and FHLBank Indianapolis that documents are past due.

If individual Mortgage Documents are requested, they should be specified on the bottom of the document release. Upon return of the Custody File or documents, the Document Custodian must review the Custody File or documents and acknowledge the return by signing the bottom portion of the form.

3. Return Procedures

When a Custody File released for Reason Code 2 or 4 is returned to the Document Custodian by the Seller/Service, the Document Custodian must perform the following procedures to properly execute the return section of the document Release Form:

- a. Match the original document release to the applicable Custody File or documents.
- b. Review the returned file or documents to determine that all applicable mortgage documents are returned and meet the requirements for certification as outlined in this manual.
- c. Sign and date the bottom of the copy of the document release form that is being returned by the Seller/Service.
- d. Forward the executed document release return to the Seller/Service.
- e. Sign and date the bottom of the original document release form if the Document Custodian retains document release forms for files released with liquidation codes that have been returned; otherwise, dispose of the original document release form.
- f. The custodian is not required to retain a copy of the return section of the document release form.

Transfers

1.4.1.1 *Transfer of Seller Responsibilities*

This section describes custodial responsibilities when there is a change in Seller without a change in Document Custodian. A transfer of Seller responsibility requires FHLBank Indianapolis prior written approval of the transfer from FHLBank Indianapolis, the execution of a new Custodial Agreement and recertification of the mortgages sold.

Prior to both final approval by FHLBank Indianapolis and the actual transfer of Seller responsibilities, appropriate Custodial Agreements must be executed by both the substitute Seller and the existing Document Custodian, unless a current Custodial Agreement is already in effect.

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Recertification of a mortgage is required any time a mortgage is transferred to a Successor Seller, except where mortgages are simultaneously transferred to a substitute Seller through an intermediary institution. In the latter case, Recertification may not be required for the intermediate transaction.

FHLBank Indianapolis grants waivers to Sellers on a case-by-case basis for simultaneous transactions that occur within the same calendar day. If a Recertification Waiver is granted, a copy of the FHLBank Indianapolis waiver letter must be included in each applicable MDC.

Note: FHLBank Indianapolis does not require Recertification, interim assignments, or Note endorsements if the transfer is due to a merger of institutions, but all mergers still require prior written approval from FHLBank Indianapolis if the Document Custodian is to continue to maintain the documents.

1.4.1.2 Transfer of Document Custodian Responsibilities

A transfer of Document Custodian responsibility requires FHLBank Indianapolis prior written approval of the transfer, the execution of a new Custodial Agreement, and recertification of the mortgages sold. Prior to both final approval by FHLBank Indianapolis and the actual transfer of responsibilities, appropriate Custodial Agreements must be executed by the existing or Successor Seller, as applicable, and the Successor Document Custodian, unless a current Custodial Agreement is already in effect. Prior to the actual transfer of Mortgage Documents to the Successor Document Custodian, the current Seller must prepare an exhibit listing all Loan Numbers to be transferred to the Successor Document Custodian.

Upon written approval of the transfer by FHLBank Indianapolis, the following files must be released to the Successor Document Custodian:

1. All Initial Certification forms
2. All Custody Files
3. All blanket interim assignments, blanket assignments to FHLBank Indianapolis, legal opinions and FHLBank Indianapolis waiver letters
4. All non-liquidation Document Release forms

It is the Successor Document Custodian's responsibility to determine that all required documents pertaining to all mortgages have been received.

The prior Document Custodian is responsible for packing the files for transit and making the files available to the Successor Document Custodian. The Seller is responsible for the safe transfer of all documents to the Successor Document Custodian's facility or Electronic Vault.

The Custody Files must be sent directly to the Successor Document Custodian, not to the Seller. The Successor Document Custodian must transfer all files in Physical Form directly to the permanent storage location specified in the Custodial Agreements and all files in Electronic Form to the successor Document Custodian's Electronic Vault and shall transfer eRegistry Delegatee for Transfers Control and eRegistry Location to the Org ID of the successor Document Custodian.

Whenever there is a physical movement of Custody Files, the Seller is responsible for appropriate insurance coverage to insure against any loss or damage to the files in transit. As an alternative, FHLBank Indianapolis allows the use of a temporary rider to the Seller's or Document Custodian's property insurance policy to provide adequate coverage.

Recertification of a mortgage or group of mortgages is required any time a mortgage is transferred to a Successor Document Custodian. Recertification must take place within 12 months of transfer for all transfers.

Note: FHLBank Indianapolis does not require recertification if the transfer is due to a merger of institution, but all mergers still require prior written approval from FHLBank Indianapolis if the Document Custodian is to continue to maintain the documents.

1.4.1.3 Transfer of Document Custodian Functions by FHLBank Indianapolis

FHLBank Indianapolis may determine to transfer custody of the Custody Files for whatever reason, including, but not limited to:

- the failure by the Document Custodian to perform or observe any of the provisions of this Document Custodian Manual or the Custodial Agreement,
- the failure of the Seller to meet requirements of the credit policy or blanket agreement,
- an event of default occurs under any blanket agreement to which the Document Custodian is a party or to which the applicable Seller is a party, or
- the removal or termination of the Seller or any other person as Servicer of the mortgages,

FHLBank Indianapolis may remove and discharge the Document Custodian from the performance of its duties.

Physical Security

FHLBank Indianapolis has determined that certain requirements must be met by Document Custodians to ensure that a secure and accessible storage facility is provided for the retention of pool and Mortgage Documents maintained in Physical Form.

These requirements are as follows.

1. All documents must be retained in a single permanent storage location. The name, address, and identification number (number as assigned in LAS) of the Document Custodian must be specified on the final page of the applicable certification form. The address at which the documents are held must be the last address of record reported in writing to FHLBank Indianapolis.

2. FHLBank Indianapolis approval must be received before a Document Custodian can move documents to a new location. Information required in writing includes the prior location's address, the new location's address, and a listing of the mortgages to be moved. If the Document Custodian changes the location of FHLBank Indianapolis documents to a new address, an appropriate amount of inland marine insurance coverage must be in force to indemnify against any loss or damage to the files in transit to the new permanent storage location. The Document Custodian is responsible for obtaining insurance coverage to insure against any loss or damage to the files in transit. As an alternative, FHLBank Indianapolis allows the use of a temporary rider to the Document Custodian's property insurance policy to provide coverage.
3. Adequate controls and safeguards must be provided to protect documents from hazards and unauthorized access.
4. A fire-resistant depository for all Custody Files is required. The facility must provide a minimum of one and a half to two hours of fire protection, as attested to in a written statement from the insurance company of the Document Custodian, A Fire Marshal, or a fire protection contractor of the applicable jurisdiction and updated upon any significant change in the facility. This statement of compliance must be retained by the Document Custodian and available for inspection by FHLBank Indianapolis or its agent. It is acceptable if the storage facility meets Federal Deposit Insurance Corporation (FDIC) guidelines for vaults as stated in their rules and regulations.
Note: It is the Seller's responsibility to reconstruct the Custody Files in the event of a disaster.

Inventory Accounting

The Document Custodian must maintain custody of Custodial Files for the life of the mortgage. Custodial control is critical for preserving the collateral interests of the Seller and FHLBank Indianapolis. This section describes specific inventory accounting requirements that must be followed for each Seller for which the Document Custodian is responsible:

1. Master File

For each Seller, the Document Custodian must maintain a Master File that includes at least the following information:

- a. Custody Register (described below)
- b. Custodial Agreement
- c. Copy of Seller's Corporate Resolution for a name change (if applicable)
- d. Copy of Seller's Corporate Resolution authorizing officers to execute documents
- e. Initial Certification forms
- f. Document Release Forms submitted on the basis of the non-liquidation reason code
- g. Any other applicable Seller documents in the Document Custodian's possession

2. Custody Register

For each Seller, the Document Custodian must maintain a Custody Register that includes at least the following information:

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- a. Listing of mortgages currently in custody, including Seller Identification Numbers
- b. Count of the total number of mortgages in custody for each MDC

At a minimum, this Register must be updated once a month. Monthly activity that must be recorded includes all:

- Certifications
- Transfer activity
- Terminations

The Seller Custody Register must be kept in the Master File and must be available for review by FHLBank Indianapolis or its agent. If the Custody Register is maintained in electronic medium, the Document Custodian must be capable of producing a hard copy of the register upon request.

Document Exceptions

FHLBank Indianapolis will consider, on a case-by-case basis, granting an exception letter to a Seller for a specific document exception to the requirements listed throughout this manual. Requests for exceptions must be submitted in writing, and all FHLBank Indianapolis exception letters must be retained by the Document Custodian in the related Master File for the remaining life of the mortgage.

If a waiver letter has been granted that pertains to specific mortgages and those mortgages are transferred, the waiver letter or a copy must transfer with the Master Files.

1.4.1.4 *Missing Document Resolution*

Lost or missing Mortgage Documents are documents that existed at some point but are currently not in the possession of the Seller, Document Custodian, or an agent, such as a foreclosure attorney or subcontract Servicer. Note that the following is not designed to be comprehensive and cannot be construed as a substitute for the advice of qualified legal counsel.

Except for the Note, documents missing from the Custody File may be replaced with a copy of the missing document. The Document Custodian must obtain a copy or original as appropriate of any missing document from the Seller.

If an interim assignment is missing and the assignee is defunct, the Seller must obtain a legal opinion from qualified outside legal counsel which cites applicable law and place it in the Custody File to which it pertains.

1.4.1.5 *Custodial Responsibilities*

When a Document Custodian becomes aware that a required document is missing, it is the Document Custodian's responsibility to send the Seller written notification immediately, not to exceed 30 days after discovery, and request timely resolution by the Seller.

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The written lost document notification to the Seller must contain each of the following items:

1. Mortgage Number(s)
2. Mortgagor and Mortgagee Names
3. Description of missing document
4. Date the document was discovered missing
5. Possible reasons for the absence of the document, if known

A copy of the Document Custodian's written request must be placed and maintained in the Custody File. Additionally, at least quarterly, the Document Custodian is expected to forward to the Seller a listing of all documents that have been missing for 90 days or more.

Upon review and acceptance, the Document Custodian must file the replacement document in the applicable Custody File and delete the document from the original lost document notification that was sent to the Seller.

For eNotes, twice per calendar year the Document Custodian must also confirm that the eNotes Tamper Seal is valid, has not been compromised, and matches the Tamper Seal value stored for the corresponding eNote record on the MERS® eRegistry. If at any time, and upon the determination that, an eNotes Tamper Seal is invalid, has been compromised, or does not match the Tamper Seal value stored for the corresponding eNote record on the MERS® eRegistry, the Document Custodian must notify the Seller/Servicer and FHLBank Indianapolis.

1.4.1.6 Seller Responsibilities

The Seller must make a timely submission of the replacement document. If the problem is not resolved within 90 days, the Document Custodian must then notify FHLBank Indianapolis that the affected mortgages will be considered uncertified, and the Custody File will have to be corrected.

For missing Note situations requiring a Lost Instrument Bond with Unlimited Liability, the Bond must be in the form prescribed by FHLBank Indianapolis. The Lost Instrument Bond must be accompanied by the appropriate POA and Certification as required by the insurance or Surety Company.

The Lost Instrument Bond does not require an endorsement. The bond must be submitted to the Document Custodian for review and approval.

The Document Custodian will review the Lost Instrument Bond and, if acceptable, place the Lost Instrument Bond in the Custody File to replace the missing Note. In those cases where the Document Custodian may not be able to resolve a discrepancy with the Seller concerning the Lost Instrument Bond, the Document Custodian must submit the Lost Instrument Bond to FHLBank Indianapolis for a final determination.

If the original Note is missing and the Seller has exhausted all reasonable means of obtaining the original Note or cannot satisfy the above requirements, FHLBank Indianapolis may authorize the Seller to substitute an LNA, or similar substitute documentation for a missing Note.

If an LNA is utilized, the Document Custodian should examine the LNA to determine that a copy of the security instrument or the Note is attached, and that the data elements on the Note copy match the data submitted. This includes verifying that the LNA has been notarized if the format requires it. The LNA form may have a blank notary section only if the Document Custodian has a legal opinion from the Servicer's counsel stating that notarization is not required in the jurisdictions in question.

Important: FHLBank Indianapolis holds the Seller responsible for any losses or litigation that may arise due to the missing Note, regardless of whether or not an LNA was accepted.

The Document Custodian is required to review documents for their consistency and completeness. If at any time a Document Custodian discovers an error, the Document Custodian must notify the Seller of the error for correction or resolution. If the error cannot be remedied, the FHLBank Indianapolis MPP department must be notified within 90 days. The Seller will be required to determine materiality of errors and adequately explain the materiality to the Document Custodian.

Common Problem Resolution

1. Re-Recording of Interim Assignments

If an interim assignment or the security instrument has been re-recorded, all interim assignments following do not need to be re-recorded to correct the chain of title.

2. Oversigning/Undersigning by Borrower

Follow Fannie Mae or Freddie guidelines.

Undersigning occurs when the borrower, or co-borrower, does not sign the complete name or initials, such as not signing a middle initial. If a document is undersigned, a name affidavit is required to be placed in the Custody File.

Oversigning is acceptable and does not require a name affidavit. Oversigning occurs when the borrower, or co-borrower, sign more names or initials, such as signing a full middle name instead of an initial. A Name Affidavit may also be used to correct a misspelled name on a mortgage document.

3. Incorrect Borrower Name

If the borrower or co-borrower name on the certification form is incorrect, it must be corrected.

However, if the name on the attached schedule(s) is correct, then a Name Affidavit will be acceptable to correct Mortgage Documents with incorrect borrower names. The same Name Affidavit may apply to various mortgage documents with the same name error. It is acceptable to have a copy of the Name Affidavit in place of the original.

Appendices

4. **Minor Typographical Errors**

FHLBank Indianapolis will accept minor obvious typographical errors that are inconsequential and do not affect the Mortgage Documents.

5. **Correction Tape or Correction Liquid**

FHLBank Indianapolis will allow the use of correction tape or correction liquid on documents. However, the use of correction tape or correction liquid should be treated as any correction. If the correction requires initials, it must be initialed by the appropriate party.

6. **Note Corrections**

If a correction to the Note is required, the Note must be corrected. An allonge should not be used in place of making corrections to the Note.

Seller Corporate Name Changes

Sellers are required to provide the Document Custodian with a copy of the appropriate Corporate Resolution in the event of a Seller name change. The Seller is required to provide the resolution within 30 days of a name change, and the resolution will be maintained by the Document Custodian in the Custody File.

Sellers are not required to prepare new assignments because of a name change.

1.5 Third Party Compliance Oversight

Independent Auditors (IA)

The Master Agreement requires the Seller to submit copies of its annual financial statements, audited by an independent certified public accountant or an independent public accountant (both referred to as an IA), within 90 days following the end of the Seller's fiscal year.

Pursuant to the Custodial Agreement, each Document Custodian also becomes subject to an IA compliance audit. This audit includes a review of the operations and records of each Document Custodian in accordance with the compliance tests required by each Document Custodian's primary regulation.

The IA report on compliance testing includes all items of noncompliance that the IA has concluded are material departures from FHLBank Indianapolis regulations or requirements.

The annual IA examination with respect to the Document Custodian can be performed in either, or both, of the two methods discussed below:

Appendices

1. **Multiple Auditor Approach**

A Document Custodian may be tested for compliance with FHLBank Indianapolis requirements by an IA engaged by each Seller for which a Custodial Agreement exists. The IA contracts with a Seller, performs audit procedures on the mortgage documents related to that Seller only, and issues reports based on the results of those tests.

Under these circumstances, if a Document Custodian performs services for more than one Seller, more than one IA may audit the mortgage files each year.

2. **Single Auditor Approach**

One IA, engaged by the Document Custodian, performs one compliance review of all Mortgage Documents held for every Seller for which a Custodial Agreement exists. If a Seller uses only one Document Custodian, it must be reviewed every year. If a Seller uses more than one Document Custodian, all Document Custodians contracted by the Seller must be reviewed at a minimum of every three years.

Compliance Review Agent

The Custodial Agreement executed between a Document Custodian and a Seller allows FHLBank Indianapolis or its agent to inspect and audit any and all records held by a Document Custodian relating to FHLBank Indianapolis purchase of mortgages. FHLBank Indianapolis or its agent is responsible for the following functions:

1. Testing Seller and Document Custodian records and procedures to determine whether they conform to FHLBank Indianapolis requirements.
2. Following the completion of compliance testing, issuing corrective action letters to the Document Custodian, with relevant portions sent to affected Sellers.
3. Following up with Document Custodians and Sellers to resolve reported compliance exceptions.
4. Monitoring compliance with recertification deadlines and following up as necessary when such certifications become past due. FHLBank Indianapolis or its agent is responsible for contacting Document Custodians directly and scheduling periodic on-site compliance testing visits.

Document Custodians are required to provide full cooperation during their compliance testing and any subsequent follow-up contacts. Compliance testing is performed for the sole benefit of FHLBank Indianapolis and does not substitute for the required annual IA examination described earlier in this Section. FHLBank Indianapolis or its agent will meet with the Document Custodian at the end of an on-site compliance test.

Appendix B: MPP Delivery Fee Schedule

The following is a schedule of all delivery fees charged for the Mortgage Purchase Program. Be sure to refer to your Master Commitment Contract (MCC) which may restrict the delivery of loans in some of these categories. These fees are net funded from the settlement proceeds and reflected on the Funding Schedule in LAS.

Cash-Out Refinance Fees

Loan to Value (LTV)	Fee
< 75% LTV	None
75.01%-80%	0.25%

Appendix C: Remittance Template

Remittance Template used to submit monthly remittance data to the Master Servicer in Excel format as referenced in Section 17.1 of the MPP Guide.

Appendix C Monthly Remittance File Format Including Field Descriptions										
Column:	A	B	C	D	E	F	G	H	I	J
Data Description:	Servicer Loan Number	Actual Interest amount collected from borrower (at Note Rate)	Standard FNMA Action Code. Coded Payoff and Charge Off Loans required.	Payoff/Charge Off Date Use format dd-mm-yyyy (ie. 30-Apr-2016)	Net Interest remitted (This amount is interest less service fee.)	Sched/Sched Only. Leave blank for Actual/Actual loans For S/S enter the scheduled Note Rate for the next cycle	Sched/Sched Only. Leave blank for Actual/Actual loans For S/S enter the scheduled P&I Payment for the next cycle	Sched/Sched Only. Leave blank for Actual/Actual loans For S/S enter the Scheduled Service Fee Rate for the next cycle	Loan Due Date per Trial Balance Report Use format dd-mm-yyyy (ie. 30-Apr-2016)	Current Note Rate per Trial Balance Report
Column Header:	SERVICER LOAN NUMBER	ACTUAL INTEREST COLLECTED	FNMA ACTION CODE	FNMA ACTION DATE	INTEREST REMITTED	ENDING SCHEDULED NOTE RATE	ENDING SCHEDULED P&I PAYMENT	ENDING SCHEDULED SERVICE FEE RATE	ENDING DUE DATE	ENDING CURRENT RATE
Sample Data:	42543543	600.98			560.91	4.5	836.03	0.25	01-Sep-2015	4.5
Column:	K	L	M	N	O	P	Q	R	S	T
Data Description:	Ending Participant Principal Balance	Ending 100% P&I Payment amount	Ending 100% Principal Balance	Fees remitted from Servicer (Your share of the fees)	Total Principal Amount remitted (includes Curtailments and Payoffs)	Current Service Fee Rate per Trial Balance Report	Sched/Sched Only. Leave blank for Actual/Actual loans For S/S, enter the ending Security Balance	Beginning 100% Principal Balance	Sched/Sched Only. Leave blank for Actual/Actual loans For S/S, enter the beginning Security Balance	Total funds to be remitted on the loan
Column Header:	ENDING PARTICIPANT UPB	ENDING 100% P&I PMT	ENDING 100% UPB	OTHER FEES REMITTED	PRINCIPAL REMITTED	ENDING SERVICE FEE RATE	ENDING SECURITY BALANCE	BEGINNING ACTUAL BALANCE	BEGINNING SCHEDULED BALANCE	TOTAL REMIT
Sample Data:	160026.81	836.03	160026.81		235.05	0.25	160026.81	160261.86	18-Feb-2338	795.96

Appendix D: Information Security Standards for Non-Member Servicers

The following appendix sets forth information security, breach notification, and business continuity provisions applicable to non-Member Servicers (“Servicers”).

If a Servicer’s regulator has established requirements that overlap with these requirements, then the more rigorous requirements shall apply. Servicers are encouraged to develop and implement more protective measures.

1. Information Security Requirements

Each Servicer acknowledges that it holds or may obtain nonpublic personal information (“NPI”). NPI has the meaning ascribed to Nonpublic Personal Information in Title V of the Gramm-Leach Bliley Act of 1999, or any successor federal statute and the rules and regulations thereunder, all as may be amended or supplemented from time to time (the “GLB Act”). Servicer represents and warrants that it will comply in all respects with the GLB Act, will protect the confidentiality of any NPI, and will dispose of such information in accordance with applicable law, including but not limited to the Fair Credit Reporting Act, as amended, and any successor federal statute and the rules and regulations thereunder, as may be amended or supplemented from time to time.

Notwithstanding any provision to the contrary, Servicer will not reveal any NPI to any other party for other than those legitimate purposes allowed under the GLB Act and any related federal or state laws and regulations, and in the manner permitted by such laws and regulations, without the express written consent of FHLBank Indianapolis at any time, now or in the future.

Any changes to Servicer’s Security Program that negatively impact Servicer’s security with respect to the information described above must be communicated to FHLBank Indianapolis within 30 days of such change.

2. Information security program

Servicer represents and warrants that it has adopted, and maintains and administers written minimum security standards, policies and procedures that address critical issues including, but not limited to, user responsibilities, ownership of information, baseline security practices, technical security protection mechanisms and other requirements in this section.

Servicer represents and warrants that it reviews and assesses the adequacy of its information security policies and procedures used in connection with the selling and servicing of mortgages to ensure compliance with the Guide and other Program Documents.

Servicers will make their information security program policies and procedures available to FHLBank Indianapolis upon request.

3. **Attestation and Audit Rights**

Upon request, Servicer shall provide evidence reasonably satisfactory to the FHLBank Indianapolis and its regulator to confirm that Servicer has satisfied its obligations in this Appendix. In addition, Servicer grants FHLBank Indianapolis the right, upon reasonable advance notice to Servicer, to conduct on-site reviews or audits during normal business hours.

If Servicer obtains a third-party security, audit, review, attestation, or certification, such as an SSAE 16 or 18 statement or ISO 27001 review, or similar report, it shall provide such material to FHLBank Indianapolis on a periodic basis at its request.

4. **Breach Notification**

Servicers shall notify FHLBank Indianapolis immediately after discovery of any suspected breach or compromise of the security, confidentiality, or integrity of NPI of any person. Servicers shall provide such notice to the Bank's Information Security Officer by phone, email or by overnight courier with confirmation of receipt to the contact below within 72 hours.

Servicers shall cooperate fully, in the event of any unauthorized access, any loss, or unauthorized disclosure of any NPI.

Address for purpose of data breach notification notices:

Federal Home Loan Bank of Indianapolis

Chief Information Security Officer

8250 Woodfield Crossing Blvd.

Email: informationsecurity@fhlbi.com

Phone: 317-465-0200

5. **Business continuity planning**

Servicer represents and warrants that it has a business continuity plan in place to support its ongoing ability to conduct business operations and maintain or restore NPI, mortgage files, data, and records in the event of a disaster or other interruption to business operations and processes. Servicer will notify FHLBank Indianapolis of any modifications of such program which could reasonably be interpreted to impair the rights of FHLBank Indianapolis. Such program will comply at all times with applicable regulatory requirements, including without limitation requirements established by FHFA. Servicer further represents and warrants that it tests its business continuity and disaster recovery capabilities by conducting at least one test annually.

6. Technical Requirements

Servicer represents and warrants that it meets each of the following requirements:

- 6.1 **Environmental Security Controls** - Servicer has established and maintains environmental security controls to protect the organization from loss of connectivity and damage caused by fire, earthquake, flood, hurricane, tornado, and other adverse events.
- 6.2 **Pre-employment/engagement screening** - Servicer conducts, or retains a third party to conduct, background verification checks (screening) for all candidates for employment or contractor status.
- 6.3 **Information security awareness, education, and training** - Servicer provides information security awareness training to all employees of the organization, and, where relevant, contractors and third-party users. The awareness training provides information on roles and responsibilities for all users in protecting information at the Servicer, along with practical ways to incorporate information security into daily routines.
- 6.4 **Communications and operations management** - Servicer implemented and maintains technical security measures to prevent and monitor for malicious software, stop unwanted spam, and traffic, and protect from unauthorized use of wireless connections. Measures include those provided in the remainder of this section.
- 6.5 **Removable media policy** - Servicer restricts usage of removable media such as USB thumb drives, CD/DVD drives and external hard drives to personnel with a business need for this media to complete their activities. If data must be placed on removable media, the media is encrypted.
- 6.6 **Anti-virus program/update** - Servicer installs anti-virus software to protect servers and end user systems and ensures that updates are applied periodically.
- 6.7 **Boundary protection** - Servicer implemented information technology controls that allow for monitoring, detection, and restriction of unauthorized network perimeter activity, such as a firewall, and manages and restricts ports, protocols and services to only those that are required for business operations.
- 6.8 **Wireless networks** - Servicer controls, secures and monitors wireless access points. In addition, if Servicer offers wireless networks for network users, it implemented a strong Wireless Local Area Network (WLAN) authentication method, prohibited use of the Wired Equivalent Privacy (WEP) algorithm, and password protects administrative access to the router.
- 6.9 **Vulnerability management** - Servicer conducts vulnerability testing on a regular basis and has a process in place to analyze and remediate identified vulnerabilities.
- 6.10 **Configuration and patch management** - Servicer developed and executes a process for developing and maintaining secure configuration baselines (also known as hardening guides, baseline secure configurations) of infrastructure components. Servicer has identified a group responsible for software updates and patches and maintains a process for testing and installing software updates as they are available.
- 6.11 **Data Encryption** - Servicer ensures the protection, integrity and confidentiality of data in transit, uses encryption during transmission of any sensitive data such as NPI, and uses

encryption mechanisms on portable end-user devices to protect data if the hardware (laptop, mobile device) is lost or stolen.

- 6.12 **Access management policy** - As part of its information security program, Servicer established an access management policy that includes a process for granting and removing system access, requirements for authentication and rules of behavior, enforces access control methods that limit access to systems, physical or virtual resources and grant access to users on a need to know basis, and manages Servicer user accounts for FHLBank Indianapolis systems in accordance with the Guide and its applicable Program Documents. Servicers must monitor for users who transfer roles or are terminated and no longer need access to their accounts.
- 6.13 **Granting, removing, and reviewing access** - Servicer maintains written procedures for the following:
- a. Approval of access requests
 - b. Removal of access for terminations
 - c. Analysis of user access and removal of access no longer needed for employee/contractor transfers
 - d. Periodic account maintenance and reconciliation
- 6.14 **Authentication requirements and guidelines** - Servicer requires employees to authenticate or prove their identity to the system through a private, protected method or process which includes, but is not limited to, user identification codes, passwords, personal identification numbers, a smart card and/or a token device. If passwords are used, the authentication policy mandates minimum guidelines for password complexity, reuse timelines and password change timelines.
- 6.15 **Asset management** - Servicer maintains an inventory management system to track physical and software assets, such as end-user technology, servers, network devices, and corresponding asset ownership. The inventory management system is reconciled to actual inventory on a periodic basis to verify all assets are included.
- 6.16 **Vendor risk management program** - Servicer implemented and maintains a vendor risk management program to formally evaluate, track and measure third-party risk; to assess its impact on aspects of the organization's business; and to develop compensating controls or other forms of mitigation to safeguard and protect FHLBank Indianapolis information and data, and the NPI, from unauthorized persons, malicious software or other harmful computer information, commands, codes or programs.
- 6.17 **Physical Security Controls** - Servicer created and maintains a physical security control program of the organization's buildings and facilities containing information systems, to detect and prohibit unauthorized persons gaining access and respond to physical security incidents using real-time physical intrusion alarms and surveillance equipment.

Appendix E: COVID-19 Pandemic Temporary Guide Adjustments

1.1 Originations, Appraisals and Delivery

Advantage MPP has elected to adhere to the Fannie Mae and Freddie Mac guidance regarding temporary adjustments to certain requirements such as appraisals, income documentation, and some recent changes regarding self-employed borrowers.

For more specific guidance by Fannie Mae and Freddie Mac, please refer to their recently published bulletins:

Fannie Mae: [Impact on COVID-19 on Originations](#)

[Impact of COVID-19 on Appraisals](#)

Freddie Mac: [Selling Guidance Related to COVID-19](#)

All flexibilities such as employment verification and power of attorney ended for loans with application dates after April 30, 2021. The appraisal alternatives flexibility was extended for loans with application dates through May 31, 2021.

In the above-referenced documents, certain appraisal types for refinancing loans are allowed by Fannie Mae for loans that are presently owned by Fannie Mae, and conversely, allowed by Freddie Mac for loans that are currently owned by Freddie Mac. As a result, FHLBank Indianapolis will apply this standard for loans presently owned by Fannie Mae, Freddie Mac, or by FHLBank Indianapolis. Please follow the Fannie Mae and Freddie Mac guidance as it applies to all appraisal types, including exterior only and appraisal waivers.

LAS Appraisal Field

When following the temporary guidance for appraisals, the loans should be identified in the Loan Acquisition System (LAS). When entering the loan in LAS, sellers should select the appraisal option 'COVID-19 Alternate Appraisal'.

Loan Delivery

Mortgage loans must be current at the time of sale to FHLBank Indianapolis. Loans that have been placed into forbearance prior to sale are not considered current and are presently ineligible for delivery to Advantage MPP. Loans that were granted forbearance but have been fully reinstated prior to sale are considered current and are eligible for delivery to Advantage MPP.

2. Servicing

Borrowers requesting forbearances based on COVID-19 related hardships on or after Jan. 1, 2022, will no longer be eligible for the initial 90-day forbearance period provided in this section. Beginning Jan. 1, 2022, all hardships should be reviewed and processed in accordance with pre-pandemic MPP servicing guidelines without the delegated authority provided in this section. The delegated authority for servicers remains in place for all forbearances established before Jan. 1, 2022.

For FHA loans, servicers should follow prescribed FHA guidelines.

2.1 Servicer Responsibilities

Servicers must suspend foreclosure sales and evictions through July 31, 2021 (with the exception of properties that have been determined to be vacant or abandoned).

For borrowers that claim to be impacted by the pandemic, servicers should:

Assess the impact on the borrower:

- Not all borrowers will be financially impacted. Determine and confirm the nature of the borrower's employment and the impact on their income.

Assess the borrower's ability to make payments:

- As in all hardship cases, a determination should be made on the borrower's ability to pay.

Maintain support of decision making:

- All information collected and reviewed should be maintained to support the servicer's decision.

For loans that are placed on forbearance, servicers must:

- Suspend any negative credit reporting for borrowers under forbearance and/or loss mitigation agreements related to COVID-19.
- Waive late fees for all borrowers under forbearance and/or loss mitigation agreements related to COVID-19.
- During the forbearance period, servicers should also suspend other routine collection activities such as default notices, collection letters and property inspections.

2.2 Temporary Payment Relief (Forbearance) due to Covid-19 Related Hardship

Under forbearance, the servicer can agree to reduce or suspend the borrower's monthly payments for a specified period. After that, the borrower must agree to resume his or her regular monthly payments and to repay the suspended payments via a full reinstatement or a structured and agreed upon resolution

method. The initial term of forbearance may be granted up to 90 days from the date of the first reduced or suspended payment.

If a borrower is unable to resume making payments at the expiration of the forbearance period, they should be evaluated for additional incremental forbearance (not to exceed 60-day increments). If the initial forbearance is extended, the servicer must notify Advantage MPP of the afforded extension. The total forbearance must not exceed 210 days. If the borrower will be unable to resume regular monthly payments after 210 days of forbearance, the loan should be presented to Advantage MPP for review and possible further extension.

2.3 Delegated Authority

Servicers are granted delegated authority to establish forbearance resolution plans with the borrowers and the available resolution options are listed below. This delegated authority is limited to the resolution of authorized COVID-19 forbearances only. Under this delegated authority, the servicer may proceed with a review and implementation of a workout plan without the need to submit a package to FHLBank Indianapolis for review and approval. Before entering into any forbearance resolution plan, the servicer must confirm approval with the mortgage insurer or supplemental mortgage insurer, if applicable.

The following criteria must be met in order to enter into a final resolution agreement with delegated authority:

- The loan must be no more than 30 days delinquent at the time of the first suspended payment in the forbearance plan. (The loan does not have to be 30 or fewer days delinquent to qualify for forbearance. But this is a qualification for the delegated authority to the servicers for a resolution plan).
- At the expiration of the forbearance period, the borrower must have resumed regular monthly payments and have made at least two consecutive payments during the months they are due.

If the loan does not meet the above listed criteria, delegated authority to the servicer for entering into a forbearance resolution plan is not permitted. For borrowers seeking a loss mitigation plan that falls outside the criteria for delegated authority, the servicer must refer to the loss mitigation options within the MPP guide which includes submitting the complete hardship package to Advantage MPP for review and approval.

Review Process

About 30 days before the expiration of the forbearance period, the servicer must begin efforts to contact the borrower to collect the below listed information for review. Per the above criteria, the borrower must begin making their regularly scheduled payments after the expiration of the forbearance period.

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The 60-day timeframe during which the borrower has resumed making regular payments affords the time for the servicer and borrower to work together to create a suitable plan for repayment of the forbore payments.

The amount of repayment to cure the suspended payments must NOT include any late charges or other fees assessed by the servicer. Once the approved forbearance period has expired, late charges may be assessed on late payments going forward at the servicer's discretion.

The following items must be collected and reviewed for plan suitability as well as any other information the servicer determines to be relevant to evaluate plan suitability:

- Letter signed by the borrowers explaining their recovered financial situation and their ability to resume monthly payments. The borrowers should detail any differences in their current income and expenses from their income and expenses prior to the COVID-19 financial impact.
- Current financial statement (monthly income vs monthly expenses)
- Proof of income (most recent paystubs, SSI statement, etc.)
- Two most recent bank statements from each available account

Payment Forbearance Resolution Options Under Delegated Authority

Borrowers must be reviewed for the repayment options in the following order:

1. Reinstatement in full

Demand and receipt of an amount equal to the total P&I (or PITI if applicable) of the suspended payments. The application of such funds must be sufficient to bring the loan current. Full reinstatement must be presented to all borrowers as the initial repayment option.

If a full reinstatement is not a suitable option for the borrower, a repayment plan option must then be pursued. (Two months of on-time regular payments are not required for borrowers who are able to reinstate immediately).

2. Repayment Plan

A structured plan consisting of a full payment plus an additional amount each month over a specified period of time to fully repay the suspended payments. The term of the repayment plan must be constructed to bring the loan current as quickly as possible while also maintaining affordability for the borrowers. The total term of the repayment plan must not exceed 12 months.

When establishing a payment plan, the servicer must not adjust the contractual due date (due date under the Note) unless a full P&I payment is being applied. Servicers must apply the funds in

full P&I amounts only to advance the contractual due date. Any partial payment must be held in a suspense account and applied to the loan when sufficient funds are received to apply a full payment.

Late fees must not be assessed for the suspended payments, but servicers may assess late fees for late payments under the repayment plan at the servicer's discretion.

Servicers must not report the borrowers as delinquent to the credit bureaus for the suspended payments but may report them as delinquent as necessary for any repayment plan payments that are 30 days or more delinquent.

If the loan is escrowed for taxes and insurance, the servicer may opt to structure the plan to include repayment of the P&I payments only. This would allow the borrower to stay current on ongoing escrow payments while reducing the amount of debt included in the repayment schedule. The escrow portion of the suspended payments may be included in the next escrow analysis and any shortage may be spread over a period of 12 to 24 months. All structured repayment plans must be in writing and be signed by the servicer and the borrowers.

If a repayment plan is not suitable due to the borrowers' financial situation, they may be reviewed for a modification.

3. Modification

The modification will consist of capitalizing the amount equal to the total interest of the suspended payments as well as out-of-pocket expenses advanced by the servicer to complete the modification. Examples of these expenses may include title costs, recording costs, etc. Advances for escrowed items, such as taxes and insurance, should not be included in the capitalization. No additional servicing fee or processing fee may be assessed by the servicer for the purpose of these modifications. If legitimate out-of-pocket advances are legally unrecoverable from the borrower, a claim for those expenses may be filed with Advantage MPP for reimbursement consideration. The claim form may be found on our public website and expenses may be itemized in section 16. (Do not claim principal or interest).

If a borrower opts for a modification, it must be made clear to the borrower that this option will result in additional interest being paid over the life of the loan. The interest rate will not change but because the monthly interest is based on the principal balance of the loan and because the principal balance will be increased with the capitalization of the debt, the net result will be an increase of overall interest paid. The reinstatement in full and the repayment plan do not result in an increase in the principal balance and, therefore, do not result in additional interest being incurred.

Servicers are responsible for ensuring that the loan modification is legally enforceable, does not jeopardize any of the rights under the Note and Mortgage, and retains the existing first lien position of the loan.

If a modification is chosen, the servicer must present the modification options (in section 2.3.1.1 below) to the borrowers so they can choose the option that best suits their needs. The servicer is responsible for clearly presenting the details of each option to the borrowers for their consideration.

2.3.1.1 Modification Options

1. Capitalization of the above specified debt into the principal balance of the loan, extension of the term equal to the number of suspended payments, and re-amortization to reach a new monthly P&I amount.
2. Capitalization of the above specified debt into the principal balance of the loan and re-amortization of the loan with an extension of the term by as many months as necessary to keep the P&I payments from increasing. Term not to exceed 360 months.
3. Capitalization of the above specified debt into the principal balance of the loan without re-amortization of the monthly P&I. The monthly P&I payment will remain the same as the monthly P&I amount at the time the forbearance was granted.
 - If this modification option is chosen, it must be made clear to the borrower that the capitalization of the debt into the principal balance without an adjustment of the term and the monthly P&I will result in a larger payment being required at the time of loan maturity.

Note – No delegated authority is granted for the adjustment of interest rates.

2.3.1.2 Modification Documents

If a loan modification is completed, the servicer must submit a copy of the fully executed modification as well as an itemization of any capitalized amount to Advantage MPP via email to the reporting inbox at defaultreporting@fhlibi.com. Once the modification is received by Advantage MPP, the adjustment of terms will be noted and system adjustments will be recorded. Advantage MPP will report any change in terms directly to the master servicer.

2.4 Credit Reporting

During the course of the approved forbearance as well as the forbearance resolution plan, the servicer must refrain from reporting derogatory information to the credit bureaus. This may be achieved by suspending reporting or reporting the loan as current.

2.5 Compliance

Servicers are responsible for ensuring all actions taken comply with all applicable legal and regulatory requirements, regulatory guidance, MPP Bulletins, and the MPP Guide. FHLBank Indianapolis reserves the right to review all actions and reporting in connection herewith.

2.6 Servicer Reporting Procedure for Covid-19 Forbearance

1. Servicers granting payment forbearance to borrowers must issue a report to Advantage MPP by the third business day of each month.
2. This report should include a list of the loans for which a forbearance has been granted as a result of the COVID-19 pandemic.
3. The report should include:
 - Servicer's loan number
 - Monthly P&I amount.
 - Due date of the first suspended payment under the forbearance
 - Number of payments suspended under the forbearance.
 - Type of final resolution to repay the suspended payments.
 - In most cases the type of resolution may not be determined until the forbearance period ends and the borrower's financial situation may be reevaluated. Until the resolution type is known, please report as "Not Determined."
 - Any additional information regarding terms (term of repayment plan or modification type) would also reduce the number of follow-up inquiries.
 - Date the final resolution is completed.
 - Completion of the reinstatement, repayment plan or execution of modification, etc.
 - Upon completion, the loan is expected to be reflected as current.

Example:

Loan Number	P&I Amt	1st Suspended Pmt	# of Pmts Suspended	Resolution Type	Resolution Comp Date
12345	874.20	04/01/20	2	Repay Plan	
67890	1,162.50	03/01/20	1	Modification	04/13/20
13579	678.30	04/01/20	3	Not Determined	
24680	746.85	05/01/20	2	Not Determined	

- Once the loan is current and has been reported with a Resolution Completed Date, the loan no longer needs to be reported.
- Please note, "Personally Identifiable Information" has purposely been left off the report to eliminate the need to send the report via a secure method.

4. The reporting should be sent via email to defaultreporting@fhfbi.com with a subject line of COVID-19 Reporting.

Many borrowers that have been approved for forbearance continue to make their mortgage payments. We believe this is because they are making the payments they can afford and are only utilizing the approved forbearance if needed. Some servicers are reporting these loans as “reinstated.”

Please understand that if a borrower is approved for forbearance and makes a payment to remain current, the forbearance is not canceled. The borrower may still have the option to use the forbearance for the remaining payments included in the approved forbearance period. Consequently, a forbearance should not be reported as reinstated unless the borrower has brought the loan current at the end of the forbearance period. The forbearance should be reported as completed when the forbearance period has expired and the loan has been brought current through a full reinstatement or an established resolution plan (repayment plan or modification) or when the borrower has notified the servicer that they are withdrawing or canceling their request for forbearance. If a borrower cancels or withdraws their request, the forbearance may be reported as completed and canceled or withdrawn.

Servicer Payment Remittance

If payment is suspended, the remittance file submitted to the master servicer, Bank of New York Mellon, is still expected to remain true to fact based on the contractual due date. If a loan is ultimately modified, only then would we expect to see the “Paid to Date” change without the application of payment. For servicers remitting on an Actual/Actual format, servicers should continue their standard process for remitting funds received from borrowers. If a borrower is on a repay plan, the servicers should still remit only full P&I payments. For example, if a borrower is making 1.5 payments each month, the one total P&I amount should be paid, and the remaining half payment should be held in suspense until the outstanding portion is received for remittance as a complete full P&I payment. For servicers remitting on a Scheduled/Scheduled format, P&I funds should continue to be remitted as scheduled.

Appendix F: External Resources

References	Available At:
A.M. Best's Insurance Reports	http://www.ambest.com/sales/BIR/
Appendix Q to Part 1026-Standards for Determining Monthly Debt and Income	http://www.consumerfinance.gov/eregulations/1026-Q/2013-30108_20140118
Comprehensive Environmental Response, Compensation, and Liability Act	http://www.epa.gov/laws-regulations/summary-comprehensive-environmental-response-compensation-and-liability-act
Consumer Financial Protection Bureau	http://www.consumerfinance.gov/
Demotech, Inc.'s Hazard Insurance Financial Stability Ratings®	http://www.demotech.com/
Department of Housing and Urban Development	http://portal.hud.gov/hudportal/HUD
Duff and Phelps Credit Rating Company	http://www.duffandphelps.com/
Fannie Mae's Desktop Underwriter (DU)	https://www.fanniemae.com/singlefamily/desktop-underwriter
Federal Deposit Insurance Company (FDIC)	https://www.fdic.gov/
Federal Emergency Management Agency (FEMA)	http://www.fema.gov/
Federal Housing Finance Agency (FHFA)	http://www.fhfa.gov/
Flood Insurance Rate Map (FIRM)	http://www.fema.gov/flood-insurance-rate-map-firm
Freddie Mac's Loan Prospector (LP)	http://www.loanprospector.com/
Genworth Mortgage Insurance Corporation	https://miservicing.genworth.com
Generally Accepted Accounting Principles (GAAP)	http://www.fasab.gov/accounting-standards/authoritative-source-of-gaap/
Lloyds of London	http://www.lloyds.com/
Mortgage Guaranty Insurance Corporation (MGIC)	https://mgic.com/servicing/index.html
Moody's Investor's Service	https://www.moody.com/
Mortgage Electronic Registration Systems Inc. (MERS)	http://www.mersinc.org/
National Credit Union Administration (NCUA)	https://www.ncua.gov/
National Flood Insurance Program (NFIP)	http://www.fema.gov/national-flood-insurance-program
Nationally Recognized Statistical Rating Organization (NRSRO)	http://www.investopedia.com/terms/n/nationally-recognized-statistical-ratings-organization.asp
Property Assessed Clean Energy (PACE)	http://www.pacenation.us/

Appendices

References	Available At:
Regulation B Regulatory Disclosure	http://www.consumerfinance.gov/regulations/disclosure-and-delivery-requirements-for-copies-of-appraisals-and-other-written-valuations-under-the-equal-credit-opportunity-act-regulation-b/
Regulation Z Regulatory Disclosure	http://www.consumerfinance.gov/regulations/
RESPA Regulatory Disclosure	http://portal.hud.gov/hudportal/HUD?src=/program_offices/housing/rmra/res/RESPA_hm
Risk Management Solutions (RMS)	http://www.rms.com/
Special Flood Hazard Area (SFHA)	https://www.fema.gov/special-flood-hazard-area
Standard and Poor's Ratings Direct Insurance Service	http://www.standardandpoors.com/en_US/web/guest/home
TILA-RESPA Integrated Disclosure Rule	http://www.consumerfinance.gov/regulatory-implementation/tila-respa/
Request for Transcript of Tax Return IRS Form 4506-C	https://www.irs.gov/pub/irs-pdf/f4506c.pdf