



Rate Advantage Program

As part of our affordable housing mission, FHLBank Indianapolis (“Bank”) has implemented the Rate Advantage Program, which is intended to encourage the creation of mortgage loans to low-income borrowers and make the loans more affordable by offering below market Note rates. The Bank will encourage members to originate the below market rate loans and sell them through Advantage MPP by offering a monetary incentive on a per loan basis. The minimum and maximum incentive available under this program is determined with each offering (“campaign”).

At the initiation of each campaign, an announcement will be provided to all members approved to sell loans through Advantage MPP. Each campaign will have a predetermined campaign total, campaign start date and campaign end date. Each campaign also will include a predetermined “Individual Member Cap” with the intention of allowing all members access to the funds. The funds will be available to all participating members on a first-come, first-served basis and the existing available funds can be seen on the Master Review Page in LAS (the first screen presented upon logging into LAS).

The available incentive funds are allocated to each qualifying Mandatory Delivery Contract (MDC) at the time the MDC is created. The campaign will end upon the expiration date or when the available funds are exhausted, whichever is earlier. The terms of the campaign, including but not limited to member caps and expiration dates, may be adjusted by Advantage MPP during the course of the campaign.

Program Design

When an MDC is created the pricing available to the member will be the standard pricing. The standard MPP pricing grid typically includes discounted prices (i.e. below par) for lower note rates and premium prices (i.e. above par) for higher note rates.

If the Rate Advantage Program campaign is active and campaign funds are available, members have the option of selecting the Rate Advantage Program when creating a new MDC trade in LAS. Once the member enters the MCC, the Product Type and the Commitment Amount and selects “Rate Advantage Program” as a “Special Program,” they will have the ability to confirm the eligibility of the loan. By then entering the property state, property county and the borrower’s monthly income, an eligibility check will be performed and the member will be alerted whether the loan qualifies for the program.

Under the Rate Advantage Program, based on the member’s pricing scenario, LAS will calculate a note rate cap. During the creation of the MDC, if the MDC is selected as a “Rate Advantage Program loan,” LAS will only allow users to select a note rate at or below the note rate cap, restricting the note rates to the below-market options.

Once the MDC is created, the available funds for the program decreases both at the member level (Individual Member Cap) and at the campaign level. The amount of existing funds available can be viewed on the Master Commitment page in LAS.

The remainder of the process, including loan allocation, delivery and funding of the loan purchase/sale, will occur as normal. Upon funding of a loan purchase within the Rate Advantage Program, the incentive funds (i.e. \$10,000) will be noted on the Funding Schedule and will be applied to the member's CMS account as a separate line item on the same day as the MDC funding transaction.

Eligibility

- Mortgage loans must be sold in individual Mandatory Delivery Contracts (MDCs), with only one loan allowed per MDC.
- Properties must be owner occupied. Second homes are not permitted. (MPP does not accept investment properties).
- Properties must be in Indiana or Michigan.
- The loan must have been originated within the last 180 days (i.e. seasoned loans are not eligible).
- The borrower's combined income must be less than or equal to 80% of the Area Median Income (AMI) as defined by the FHFA, determined at the county level or in accordance with guidance provided by the Bank.
- The Note Rate must be below market, as calculated/defined by the Rate Advantage Program guidelines.
- Each campaign will designate whether loan purpose is limited to purchase, rate/term refinance and/or cash-out refinance.
- If low balance payups are available, loans are limited to either receiving the low balance payup or the Rate Advantage Program incentive, but will not receive both.

Qualification

By creating an MDC under the Rate Advantage Program the Member is certifying that the loan delivered meets the qualification requirements of the program.

If the member delivers a loan that does not qualify for the low-income borrower component of the Rate Advantage Program and in cases where the combined borrower income exceeds the guidance provided by the Bank, the Bank requires the incentive paid to be paid back. However, in cases where the loan continues to qualify for Advantage MPP, the Bank may elect to not enforce a full loan repurchase. Additional incentive recapture scenarios will be treated on a case-by-case basis.

Questions/need help?

Contact the MPP department at mpp@fhlbi.com or call 800-274-4636

The Rate Advantage Program information has been added as section 20.1 of the Advantage MPP Guide