



FAQs: Rate Advantage Program

Question: How do members sign up for the Rate Advantage Program?

Answer: When each campaign opens it will automatically be available to all approved Advantage MPP sellers. A separate sign up is not necessary.

Q: How will members be notified when each campaign starts?

A: The initiation of each campaign will be visible on the landing page in LAS (first screen presented upon logging into LAS) and will be visible on the Master Review page. We also expect to send notifications by email to all LAS users as well as an announcement in our bi-weekly Member Touchpoint newsletters.

Q: Are all prices within the Rate Advantage Program set at Par to the borrower?

A: No, all rates to the borrower should be below par. Consequently, when selling the loan into Advantage MPP under the Rate Advantage Program the member will receive below par pricing with the additional \$10,000 incentive.

Q: How do lenders apply the Rate Advantage Program on the buy side for the borrowers?

A: The \$10,000 incentive paid through the Rate Advantage Program should not be included in the loan closing transaction. The loan closing is a transaction between the lender and the borrower. The incentive is a transaction between the member (seller) and FHLBank Indianapolis.

Q: How low does the rate have to be under market?

A: The maximum below-market rate for a given loan is based on a target price and is dependent on multiple factors including the loan amount and current pricing. In the example below, we are using a target price to the seller of 102 bps and a \$200,000 loan amount. Using the base calculation and pricing grid at a seven-day lock, the maximum Note rate would be 5.5 and the price to the seller would be 97.1. After application of a \$10,000 incentive, the effective price to the seller would be 102.1.

Rate Advantage Program Calculation Example			
Campaign Values			
102	Starting Targe Price (bps)		
\$10,000	RAP per loan Incentive		
Scenario Inputs			
7	Delivery Days		
\$200,000	Commitment Amt		
Base Calculation			
100 x \$10K incentive / \$200K commitment amount = 5 points reduction			
Maximum Note Rate based on pricing grid = 5.5%			

Product : CONV-30YR					
Note Rate	7 day price				
5	95				
5.125	95.6				
5.25	96.1				
5.375	96.6				
5.5	97.1	max eligible rate (based on market price minus incentive = 101.9 - 5 = 96.9)			
5.625	97.2				
5.75	98				
5.875	98.4				
6	98.8				
6.125	99.1				
6.25	99.5				
6.375	99.8				
6.5	100.2				
6.625	100.5				
6.75	100.8				
6.875	101.1				
7	101.3				
7.125	101.6				
7.25	101.8				
7.375	101.9	market price (based on <=102 target price)			
7.5	102.1				
7.625	102.2				

Pricing Spread			
Note Rate	Price	Rate Advantage Incentive	Effective Price
5.5	97.1	\$10,000	102.1
5.375	96.6	\$10,000	101.6
5.25	96.1	\$10,000	101.1
5.125	95.6	\$10,000	100.6
5	95	\$10,000	100

Q: Is the incentive calculated at a straight 5% or is it calculated differently for each loan?

A: As illustrated above, the incentive is a flat amount in each campaign such as \$10,000 per loan. The amount of impact from the market rate is dependent on the current pricing and the loan amount.

Q: Is there a pricing cap for this program?

A: The price cap of 103.5 for 30 year terms and 103.0 for 15 year terms applies to all Advantage MPP products.

Q: Is eligibility determined using 80% of AMI based on household income or on qualifying income?

A: The eligibility is based on qualifying income (borrower's income). Possible income from others in the household that are not on the Note is not included in the consideration.

Q: If using a pricing engine such as Optimal Blue, how will the pricing be displayed in the pricing engine?

A: The Rate Advantage Program incentive is not expected to be visible in the pricing engines.

Q: Will the Low Balance Payup program still exist, and can it be used in conjunction with the Rate Advantage Program?

A: The Low Balance Payup program still exists with no plans to eliminate it. However, it cannot be used in conjunction with the Rate Advantage Program. Members are allowed to use one program or the other, but not both programs on the same loan.

Q: Are there minimum and maximum loan amounts allowed under the Rate Advantage Program?

A: LAS has a system minimum loan amount of \$20,000. There is no established maximum loan amount.

Q: Will loans that are being sold Servicing Released qualify for the Rate Advantage Program?

A: Yes, servicing released loans also qualify for the Rate Advantage Program provided that the loans fall into the available rate grids.