

Master Commitment Information Sheet

Establishing a Master Commitment

Whether you are a newly approved Participating Financial Institution (PFI) under the MPF Program or a seasoned seller, the term "Master Commitment (MC)" is important as it is the gateway to easily starting or continuing your valued secondary market relationship with Mortgage Partnership Finance® (MPF).

When you lock (take out a delivery commitment) or request funding to sell MPF a loan, you will be required to provide us the associated Master Commitment (MC) number, which is a 5 digit number provided to you to transact business. You will be assigned a MC number for each product you are approved for. Additionally, you may also have a unique MC number based on servicing type (retained and/or released) and delivery type (mandatory vs. best efforts). This MC number is used to identify which loan product you are requesting your loan to be sold into. This should not be confused with whether you are locking your loan best efforts vs. mandatory delivery.

In this document, we will answer the most frequently asked questions about master commitments.

What is a Master Commitment and what does it look like?

A Master Commitment (MC) is an agreement executed between your institution and FHLB Des Moines. It defines the terms under which MPF will fund or purchase a pool of mortgages to be delivered by your institution. A MC is signed and executed before you begin selling eligible loans into the program. Each MPF Program type will have a specific MC form. For example, if you are selling a loan into the MPF Traditional program, you may have a specific master commitment for 125, Original, etc. Each form, regardless of MPF product, has approximately the same fields for completion.

Why is a Master Commitment necessary under the MPF Program?

The MPF Program offers several different product structures to align with your credit risk sharing preferences. Loans funded under these MPF products are pooled separately so the data components that define the MPF product, such as the hierarchy of loss structure, can be collected and monitored accurately.

How many Master Commitments are executed?

You may have multiple MCs assigned to your institution, especially if you want to retain the servicing rights for some loans, yet release those rights on other loans. Or, perhaps you want to sell conventional, fixed-rate loans and you also want to sell eligible government loans under the MPF Program. Both of these scenarios require a separate MC be issued to your institution.

Think in terms of these options to understand when a separate MC is needed: MPF product type; servicing released or retained; remittance type if retained (scheduled/scheduled; actual/actual; actual/actual single remittance); conventional or government; specific government product (HUD Section 184, RHS Section 502; FHA/VA).

What are all those fields on the Master Commitment?

Most MCs are issued for a five year period and can be renewed for an additional 5 years. MPF Traditional MCs (125 and Original) are issued for an initial one year period and renewed or

extended each year up to 2 years in total. These timeframes will be reflected in the fields entitled **Made & Accepted On** and **Estimated Completion Date**. You can leave these fields blank and your MPF representative will fill in the dates.

The **Master Commitment Amount** field represents the volume of loans you anticipate selling under the applicable MC within the given time frame of the Master Commitment. The amount listed on the MC is a cap on the amount that can be sold under the particular MC number. This amount will need to be in \$5MM increments.

The **Master Commitment Number** is important because it is used in various transactional tasks such as to lock delivery commitments and sell loans to MPF. **If you have multiple MCs, using the correct MC number is imperative to make sure eligible loans are sold under the correct set of terms and conditions.** Leave the MC number blank. This field will be filled in by FHLB once the MC is processed.

How is a Master Commitment different for Products with Shared Credit Risk (MPF Traditional – MPF Original, and MPF 125)?

If you are selling loans into the MPF Traditional product (MPF Original or MPF 125), the **First Loss Account** (FLA) and **Credit Enhancement Fee** (CE) fields are part of the hierarchy of loss structure under the MPF Program. The FLA amount in basis points aligns with the applicable MPF product (e.g., typically 4 bps, per annum, against the unpaid principal balance for MPF Original, 100 basis points against the funded amount for MPF 125, etc.) and is used to calculate FHLB Des Moines' share of the credit risk. The CE fee amount in basis points also aligns with the applicable MPF product and is used to calculate the amount of CE fee income paid to you for maintaining your share of the credit risk, called the credit enhancement obligation.

MPF Traditional	Original	125	Government (USDA/FHA/VA)
FLA (bps)	4	100	0 Gov't Guaranteed
FLA	Grows over time based on outstanding loan balances	100 bps or 1% of funded amount	0 Gov't Guaranteed
CE Fee (bps)	9 Guaranteed	7 Performance Based	0 Gov't Guaranteed

MPF[®] 125 Mortgage Partnership Finance[®] – Master Commitment Form

Master Commitment No.: 12345	Selling PFI: Sample Institution Name	PFI No.: 1111	Made & Accepted On: 03/31/2021
Master Commitment Amount: \$ 10,000,000	Servicer: Sample Servicer Name	Servicer No.: 2222	Estimated Completion Date: 03/30/2022
First Loss Account: 100 bps	☐ Actual/Actual SR ☐ Scheduled/Scheduled ☒ Actual/Actual	☒ Closed Mortgages	
Credit Enhancement Fee: 7 bps	Maximum PFI Credit Enhancement Amount: \$ 350,000	Estimated PFI Credit Enhancement %: 3.5	

The **Maximum PFI Credit Enhancement Amount** field is calculated by taking the percentage amount indicated in the **Estimated PFI Credit Enhancement %** field, multiplied by the amount in the **Master Commitment Amount** field. If, for example, the Master Commitment Amount is set at the minimum of \$10 million and your share of the credit risk is estimated to be approximately 3.5% of gross fundings, then the maximum PFI CE amount field will be \$350,000. Your actual share of the credit risk could be lower than the estimated amount, but this field is included on the MC form to provide a monitoring measure and a target level for additional communication and a possible MC amendment. The **Actual Credit Enhancement** amount must always be less than, or equal to, the **Maximum Credit Enhancement** amount for a given MC.

In general, the MC agreement sets the terms and initial limits of volume and CE obligation accumulation, and once assigned a MC number (**Master Commitment No.** field) holds a specific set of eligible mortgage loans sold by you to us.

What happens if volume levels are higher than estimated in the initial MC?

As dollar amounts or term limits approach their maximum level or expiration date as you sell eligible loans under the MPF Program, and both parties collectively determine that an MC amendment can be issued and executed, FHLB Des Moines staff will contact you to start the amendment process. The MC form for an amendment looks similar to the initial agreement, but specifically addresses the limits, time frame, etc. that require a change.

MORTGAGE PARTNERSHIP FINANCE FEDERAL HOME LOAN BANK OF DES MOINES

MPF® 125
Mortgage Partnership Finance® – Master Commitment Amendment

Master Commitment No: 12345	Selling PFI: Sample Institution Name	PFI No.: 1111	Date & Accepted On: 07/25/2019
Master Commitment Amount: \$ 10,000,000	Service: Sample Service Name	Service No.: 2222	Estimated Completion Date: 07/24/2021
First Loss Account: 100	☒ Actual/Actual ☐ Scheduled/Scheduled	☒ Closed Mortgage	
Credit Enhancement Fee: 7	Maximum PFI Credit Enhancement Amount: \$ 700,000	Estimated PFI Credit Enhancement %: 7.5%	

This agreement amends the terms and conditions of the MORTGAGE PARTNERSHIP FINANCE Master Commitment, identified above, and any Addendum which may have been attached thereto; together, the "Commitment" previously made between the undersigned Participating Financial Institution ("PFI") and the undersigned Federal Home Loan Bank ("Bank") pursuant to the Participating Financial Institution Agreement (the "PFI Agreement") and the MPF Guides ("Guides") that form a contract between the parties herein, effective as of 07/24.

☒ The Master Commitment Amount is increased from \$ 10,000,000 to \$ 20,000,000.
☐ The Master Commitment Amount is decreased from \$ to \$.
☐ The Maximum PFI Credit Enhancement Amount is increased from \$ 350,000 to \$ 700,000.
☐ The Maximum PFI Credit Enhancement Amount is decreased from \$ to \$.
☐ The Performance based Credit Enhancement fee is increased from bps to bps.
☐ The Performance based Credit Enhancement fee is decreased from bps to bps.
☐ The Estimated Completion Date is extended from 07/24 to 07/24.

The PFI Credit Enhancement obligation is equal to the total Credit Enhancement less the First Loss Account ("FLA"), subject, however, to a maximum PFI Credit Enhancement obligation equal to the aggregate Principal Balance of the Mortgages in the Master Commitment multiplied by 25 basis points (0.25%) ("Maximum CE"). Unless otherwise agreed, the PFI Provider shall recalculate the total Credit Enhancement on the basis anniversary of the date of the Master Commitment and each five years thereafter. The MFR Credit Enhancement obligation, if it is not then the Recurring Credit Enhancement, and the FLA will be reset to the rate, lower levels, subject, however, to the Maximum CE, as well as the PFI providing, or paying for, the information needed by the PFI Provider to recalculate the Credit Enhancement. The parties hereto agree that the Bank may sell, transfer or assign the Mortgages in the Commitment together with the Bank's rights with respect to the Credit Enhancement and its obligations with respect to the Credit Enhancement fee associated with such Mortgages without the consent of the PFI. Further, the Bank shall not sell, transfer or assign the Mortgages in the Commitment separate from the Credit Enhancement and the Credit Enhancement fee associated with such Mortgages unless such sale, transfer or assignment would not result in the Credit Enhancement being treated as a credit derivative by the Bank under generally accepted accounting principles.

Except for the above amendments, the Commitment remains unmodified, in full force and effect.

This document may be executed by the PFI and the Bank in separate counterparts, each of which shall be deemed an original and both of which taken together are deemed to be one and the same document. The parties understand and agree that this document may be transmitted between them by electronic mail (email) and that signed or scanned copies of original signatures will be accepted and may be relied upon as original signatures by all parties.

Selling PFI Name: Sample Institution Name Bank: Federal Home Loan Bank of Des Moines

Signature: _____ Signature: _____
 Name: _____ Name: _____
 Title: _____ Title: _____
 Signature: _____ Signature: _____
 Name: _____ Name: _____
 Title: _____ Title: _____

Page 1 of 1
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☒ The Maximum PFI Credit Enhancement Amount is increased from \$ <u>350,000</u> to \$ <u>700,000</u> .
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☐ The Performance based Credit Enhancement fee is increased from <u> </u> bps to <u> </u> bps.
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☒ The Estimated Completion Date is extended from <u>07/24</u> to <u>07/24</u> .

Are there reports available that show applicable balances under each Master Commitment?

Several reports are available within the [eMPF website](#). These reports reflect your loan funding activity under the MPF Program. You will need a username and password to access this website.

Resources

If you have any questions regarding a new or current master commitment, we are here to [help](#)!