

## QUICK TIPS FOR MPF® TRADITIONAL GOVERNMENT LOANS

### Rates:

- Use the Government Loan Pricing, shown as GL30 or GL15 on the price sheet.

### Delivery Commitment:

- When taking down a delivery commitment, select the master commitment number for the Government loan program (Rural Development or FHA/VA).

### Loan Presentment:

- Prior to funding the loan PFIs must complete the loan presentment process; however, there is no credit enhancement for Government loans.
- Code the loan plan type as "Gov GRH", "FHA" or "VA" and the product type as "GL30 or GL15".
- Submit the loan presentment information as you would for a conventional loan. You will receive a credit enhancement amount of zero. These loans are Government insured; therefore, there is no risk sharing.
- The PFI is responsible for all losses that exceed the government guarantee. This applies to both servicing retained and servicing released master commitments. See page two for additional information.

### Funding:

- In the funding process, there is a field for the agency case number. To fund the loan, input the USDA case number from the conditional commitment for RD loans or case number assigned for FHA or VA loans.

### Servicing:

- The servicing fee for Government loans is 44 bps. Because there is no credit enhancement obligations on these loans, there is no credit enhancement fee paid.

### Post-Closing/Shipping:

- Government loans require an additional step to the shipping process - All loans require initial certification; Government loans require "Final Certification". The Final Certification process requires the delivery of the original Government insurance certificate to the document custodian. The PFIs have 12 months from the funding date to obtain final certification. See the Origination Guide 24.2.3.2 and Exhibit L for delivery procedures.

### USDA Lender Certification Form Page Two:

- Example of how to complete the "Holding Lender" section.

sold concurrently as follows: [Lender must be an approved FNMA, FHLMC, FHA, VA or GNMA Lender]

<b>Holding Lender (The RHS approved Lender who will be holding/owning the mortgage note after the effective date of transfer, i.e. Fannie Mae, Freddie Mac, etc., not Girnie Mae: (See instructions on back):</b>		
Lender Tax ID: <u>42-6000149</u>	Agency Assigned Branch Number: <u>001</u>	
Lender Name: <u>FEDERAL HOME LOAN Bank of Des Moines</u>		
Address: <u>801 WALNUT STREET Suite 200</u>		
City: <u>DES MOINES</u>	State: <u>IA</u>	Zip Code: <u>50309</u>
<b>Servicing Lender (The lender that will be servicing the loan(s) after the effective date of transfer):</b>		
Lender Tax ID: _____	Agency Assigned Branch Number: _____	

**Custody Reports for Final Certification (available to servicing PFIs only):**

- Loans Funded not reviewed – Final Certification (.CSV or .PDF).
- Final Document Exceptions (.CSV or .PDF).

**Risk Sharing:**

- While the MPF Program does purchase FHA, VA, and USDA Rural Development loans, we do not share in the credit risk of these loans which is different from our conventional mortgage products under which both the member and the Federal Home Loan Bank have defined layers of credit risk.
- Specifically, the MPF Government Master Commitment references the PFI Agreement as governing the purchase of loans. Section 4.3b of the PFI Agreement (bottom of page 9 of the PFI Agreement) denotes that no losses on Government mortgages will be payable by FHLB Des Moines unless agreed to in writing.
- Under the FHA and VA programs, the guarantee typically covers 100% of the loss assuming that the loan meets all FHA/VA requirements and all servicing expenses are approved. With USDA, even if the loan meets all program requirements and all expenses are permissible, there is still the possibility that USDA will not pay the entire amount of the loss. Please see below for the risk calculation.
- MPF does not require any member credit enhancement support for Government insured loans.
- While some secondary market outlets purchase USDA loans without the seller retaining any risk, they do so only after a full and extensive pre-sale underwriting review, which is also not a requirement of the MPF Government Loan product.
- FHLB Des Moines has assumed the interest rate risk and pre-payment risk on Government loans, but not the credit risk. The PFI will have the option of repurchasing the Government loans or the loan must be paid in full at the time the REO is sold.
- USDA does not necessarily provide a 100% guarantee on all losses, but does cover losses in full up to the first 35% of the original loan amount.

***The Rural Development Guarantee:***

*USDA Rural Development Single Family Housing Program serves as a safety net for mortgage lenders. The USDA provides the full faith and assurance of the U.S Government that any financial loss resulting from servicing the loan will be reimbursed in full up to an amount not exceeding 90% of the original loan amount. All loss up to an amount not exceeding 35% of the original loan is fully reimbursed. Any loss amount exceeding the 35% is 85% reimbursed. This leaves the lender only 15% exposed on the loss amount above the 35% of original loan. In the majority of cases, the total loss does not exceed 35% of the original loan and the lenders are fully reimbursed.*

*This guarantee provides lenders an expanded level of protection against losses. The quality of this guarantee allows lenders to easily sell the loans on the secondary market.*