

MPF Government MBS

The MPF Government MBS (mortgage-backed securities) product provides PFIs with the opportunity to sell closed loans insured or guaranteed under the Federal Housing Administration (FHA), the U.S. Department of Veterans Affairs (VA), the U.S. Department of Agriculture's Rural Development (RD), and the U.S. Department of Housing and Urban Development (HUD) loan programs with no credit retention. The FHLB acts as an issuer, pooling these loans and using the pools as collateral for Ginnie Mae mortgage-backed securities.

BACKGROUND AND PURPOSE

Under the MPF Government MBS (mortgage-backed securities) product, the FHLB of Chicago purchases closed loans insured or guaranteed by the FHA, VA, USDA's RD, and HUD loans. The FHLB of Chicago acts as an issuer, pooling loans and using them as collateral for Ginnie Mae mortgage-backed securities. Although the credit risk associated with the loans is covered by the insuring government agency, PFIs are required to retain the customary representations and warranties for origination required by the FHLB on loans sold through MPF Government MBS. PFIs must be approved by the applicable government agency to originate and service loans.

Loan Types: FHA, VA, USDA RD, and HUD.

Loan Delivery: Closed loans only. The PFI obtains a Government MBS master commitment from the FHLB for the dollar amount of Government MBS mortgages the PFI expects to sell, specifying the time period in which it expects to sell them to the FHLB.

Underwriting: The underwriting requirements of the insuring or guaranteeing government agency apply.

Servicing Options: Servicing retained or released options. (See Servicing Options in Overview for a full description.)

Servicing Fee: The PFI deducts the servicing fee from the monthly interest received from the mortgagor and remits the remaining amount monthly to the FHLB. The monthly servicing fee is based on the note rate.

Credit risk-sharing structure: Not applicable.

Potential Benefits

- The MPF Government MBS offers PFIs the ability to sell closed government loan products and transfer liquidity and prepayment risks.
- The PFI can either retain or sell servicing rights.

Potential Challenges

- PFIs must be approved by the applicable government agency to originate and service loans.
- The PFI retains the representations and warranties' risk for origination required by the FHLB.