FHLBank Topeka

MORTGAGE RATE REDUCTION TRAINING

February 2025

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WHAT IS THE MORTGAGE RATE REDUCTION PRODUCT?

- Mortgage Rate Reduction (MRR) is permanent rate buydown product that provides a lower interest rate and permanently reduced Principal and Interest payment for borrowers whose income is at or below **80% of the area median income** (AMI) as determined by the **Federal Housing Finance Agency (FHFA)** based on data from the U.S. Department of Housing and Urban Development (HUD). *
- The interest rate available to borrowers will be below the current market rate. Subject to change based on market movement.
- FHLBank Topeka will offer one interest rate for eligible loans priced at 101.5**.
- FHLBank Topeka is funding the difference between the 101.5 and the below-market price through a voluntary Board-approved allocation to support lower-income borrowers (up to 80% AMI).

*AMI Amounts by County can be found on the eMPF® website on the Home screen under Quick Links

**Mortgage Rate Reduction Price of 101.5 is subject to change

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WHO CAN PARTICIPATE?

- Approved Participating Financial Institutions (PFIs) with an active Master Commitment (MC) under the Mortgage Partnership Finance® (MPF®) Traditional products:
  - MPF Original
  - MPF 125

- If your institution is not currently an approved PFI or you do not currently have an active MC, please contact the MPF Department at 866.571.8171 to get started.

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INCOME REQUIREMENTS

- Income for this product is based on ALL income for ALL borrowers who are in title. Maximum income is up to **80% of AMI** for the county where the property is located.
  - All combined income for persons on the title and the application must be at or below 80% AMI. All income includes verifiable income. Do not exclude income that would otherwise be eligible to be included based upon standard secondary market guidelines, even if it is not required for qualification.
- Refer to the MPF Traditional Selling Guide for guidance on using income (i.e., part-time, variable income, etc.).
- **FAQ and income decision tree can be found at FHLBank Topeka website with scenarios to assist.**

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UNDERWRITING

- Standard underwriting guidelines apply using an automated underwriting system (AUS) or following MPF Traditional Selling Guide for a manual underwrite.
    - Desktop Underwriter® (DU®)
    - Loan Product Advisor® (LPA®)
- Property type must be 1-4 family, owner occupied. Condos and PUDs are acceptable.
- **No second homes will be allowed.**
- Loan Purpose – Purchase or refinance transactions are eligible (rate-term and cash out refinances).
- Follow the MPF Traditional Selling Guide for LTV/TLTV, conventional loan limits, credit score, property eligibility and Private Mortgage Insurance requirements.

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UNDERWRITING

- **Full tax transcripts are required to be in file, prior to loan funding, to validate the income used for underwriting. Loans not meeting income requirements will be subject to repurchase.**
- Alternative Property Valuation offers received from DU or LPA are acceptable to use (see MPF announcement 2024-41).

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UNDERWRITING

- Since this is a permanent reduction of the interest rate, the borrower will be qualified at the below market rate.
- **PFIs should not charge any points to borrowers.**
- There is no need to mark the loan as a special product, affordable loan or buydown in the loan presentment.

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PRICING

- FHLBank Topeka will post a single Note Rate for MPF Traditional products under the Fixed 30 Yr Permanent Buydown FHLB subproduct.
- **Delivery Commitments are Mandatory. Pair off fees will apply.**
- PFIs are encouraged to use the 60-day commitment period for all DCs.
- DCs may be extended up to 30 calendar days. Extension fees will apply.

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PRICING

Delivery Commitment:

DC Price= - (6.00%)

Permanent Buydown Premium= 1.5%

The differenced between the Mortgage Rate Reduction Price and the DC Price:

1.5 - (6.0%) = 7.5%

Loan Funding:

Loan Amount $100,000

Interim Interest: $0

Agent Fee: Loan Amount X DC price

$100,000 X (6.0%) = ($6,000)

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PRICING

- Net Funding Amount = Loan amount – Interim Interest + Agent Fee

  $100,000 - $0 + ($6,000) = $94,000

- Mortgage Rate Reduction Subsidy Amount = Loan Amount X MRR Price Difference

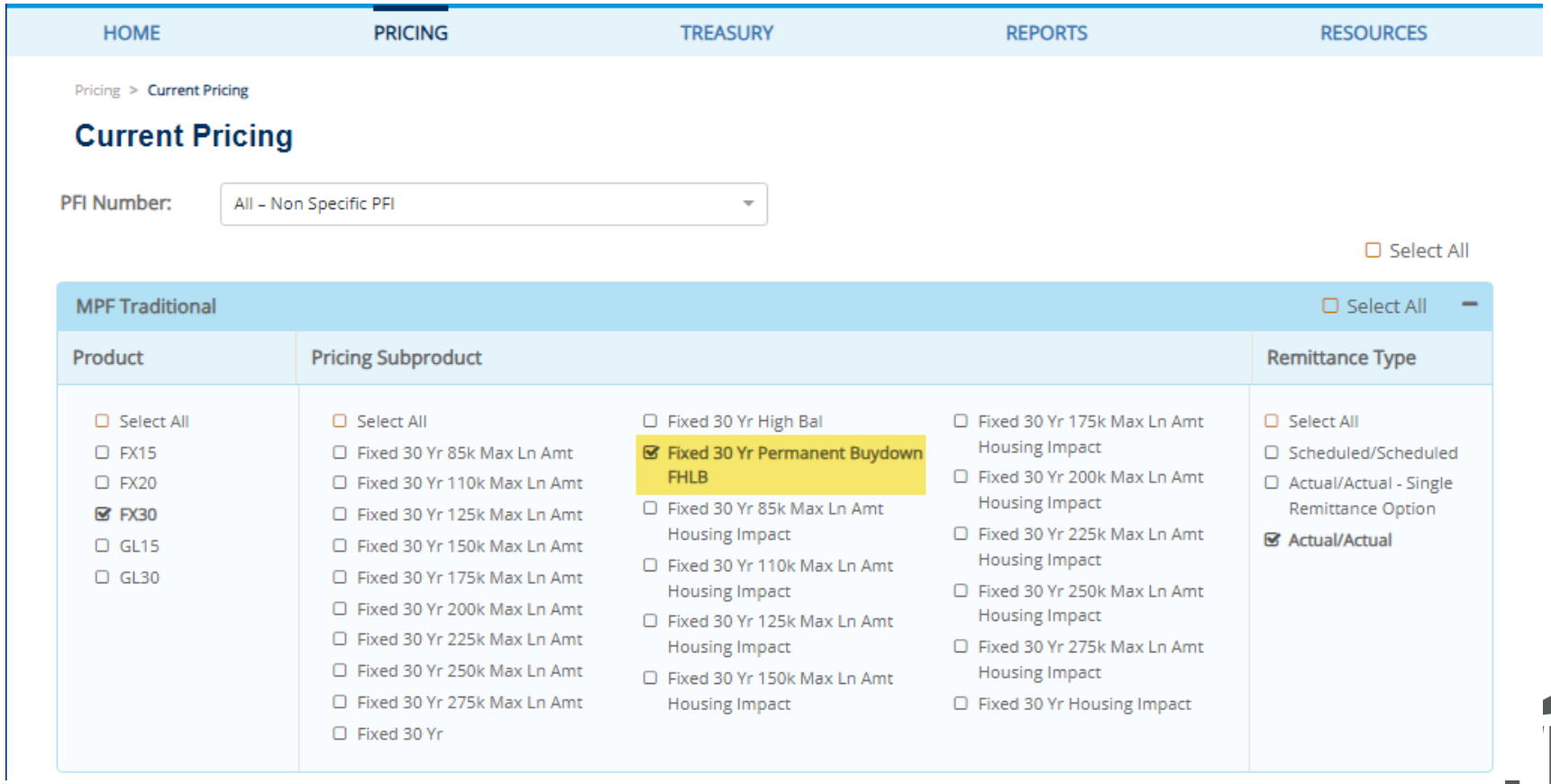
  $100,000 X 7.5%= $7,500

Total Proceeds to the PFI at time of Funding:

Net Funding Amount:	$94,000.00
Mortgage Rate Reduction Amount:	$ 7,500.00
Total Paid to PFI:	**$101,500.00**

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PRICING AND DELIVERY



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PRICING AND DELIVERY

MPF Traditional

Fixed 30 Yr Permanent Buydown FHLB

Indicative as of 06/05/2024 01:47:55 PM CT
Note: Data shown is %. All days are calendar days

DOWNLOAD PRINT

Commitment Term	5 Days	15 Days	30 Days	45 Days	60 Days
Last Funding Date	06/20/2024	06/20/2024	07/05/2024	07/22/2024	08/05/2024
Schedule Code	06052401607	06052401643	06052401679	06052401715	06052401751
Note Rate	**Premium/Discount**				
5.25%	-6.06218750	-6.06218750	-6.06583334	-6.07260417	-6.08416016

Permanent Buydown Delivery Commitments will be executed with the Premium/Discount indicated in the grid above. When a loan is funded under the Permanent Buydown Delivery Commitment, your institution will receive a contribution from your Federal Home Loan Bank that brings the Permanent Buydown Price to 1.5000000% .

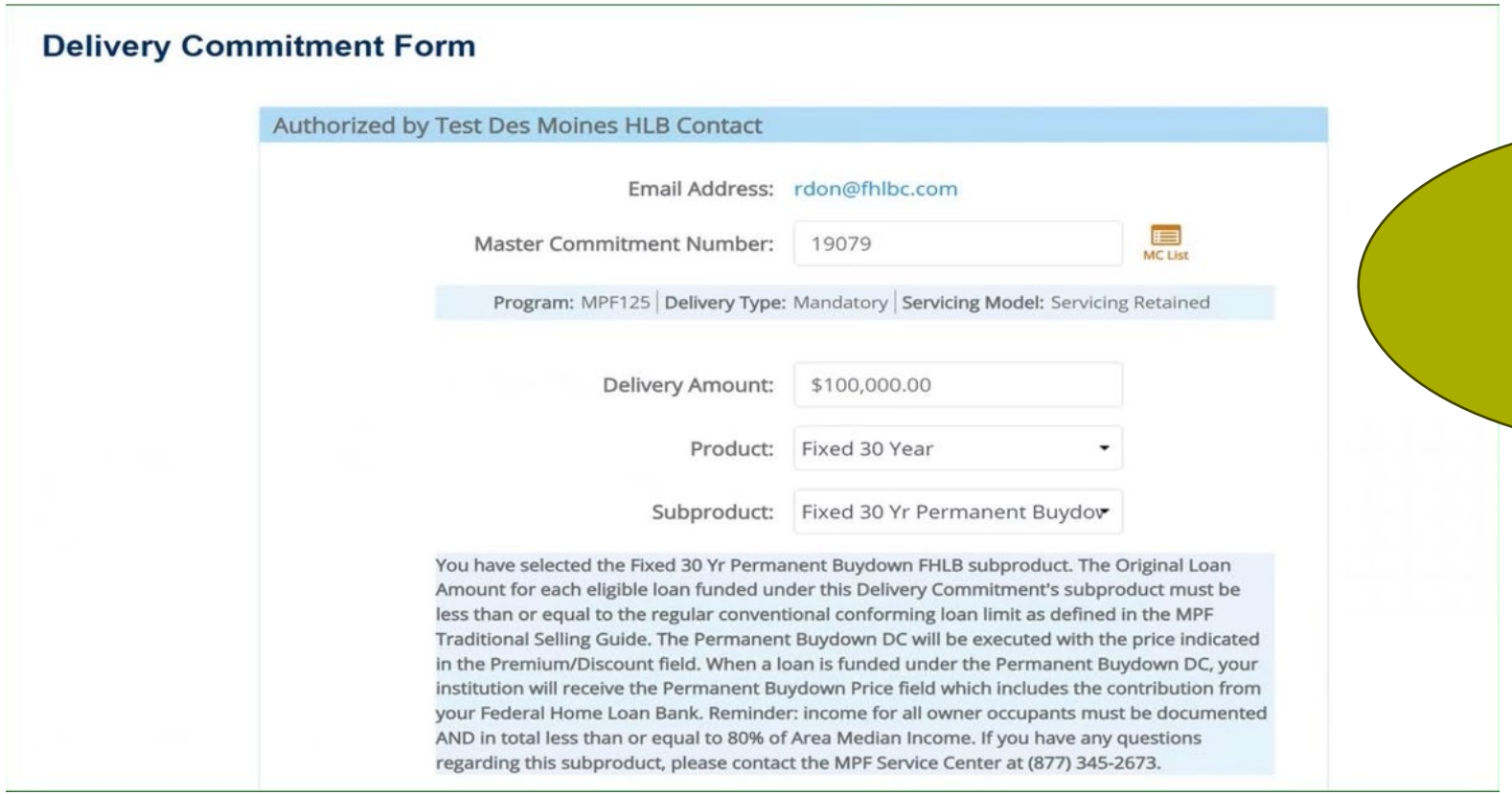
PFI will receive 25 Basis Points for Servicing

PFI may receive Credit Enhancement Fee

Phone number to open delivery Commitments: (877) FHLB-MPF (877-345-2673). The above rates will expire at 3:30 PM Central Time today unless superseded during the business day.

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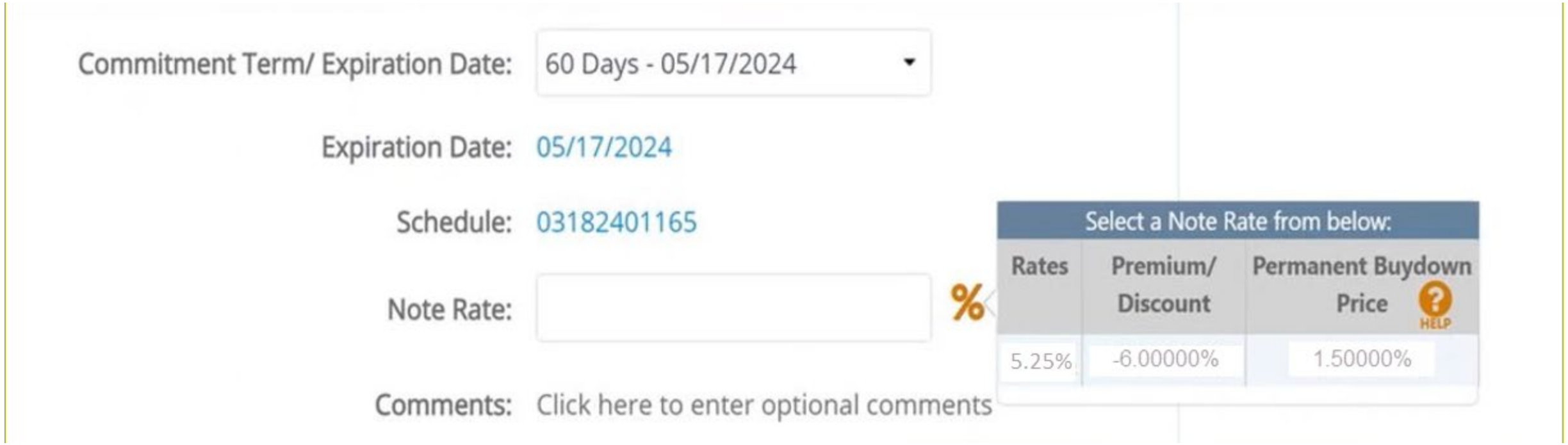
PRICING AND DELIVERY



Be sure to use the subproduct field "Fixed 30 Yr. Permanent Rate Buydown"

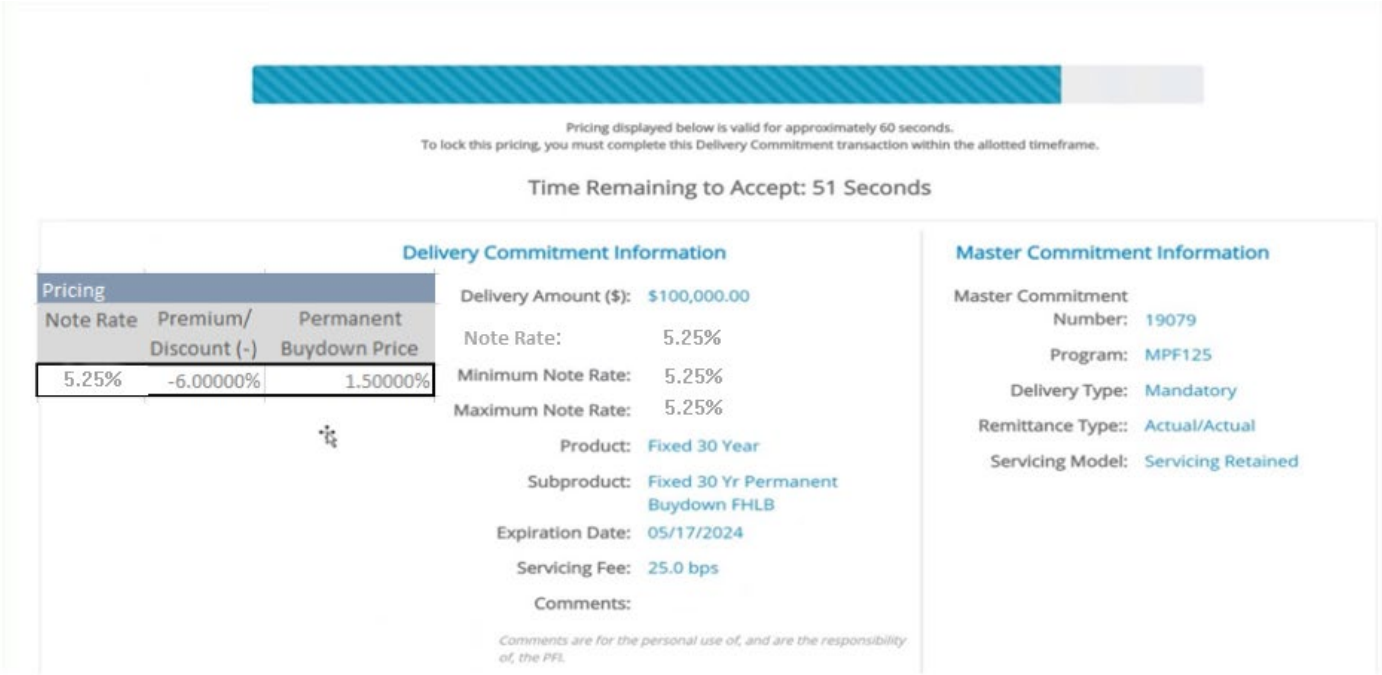
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PRICING AND DELIVERY



Pricing displayed below is valid for approximately 60 seconds.
To lock this pricing, you must complete this Delivery Commitment transaction within the allotted timeframe.

Time Remaining to Accept: 51 Seconds

Pricing		
Note Rate	Premium/ Discount (-)	Permanent Buydown Price
5.25%	-6.00000%	1.50000%

Delivery Commitment Information

Delivery Amount ($):	$100,000.00
Note Rate:	5.25%
Minimum Note Rate:	5.25%
Maximum Note Rate:	5.25%
Product:	Fixed 30 Year
Subproduct:	Fixed 30 Yr Permanent Buydown FHLB
Expiration Date:	05/17/2024
Servicing Fee:	25.0 bps
Comments:	

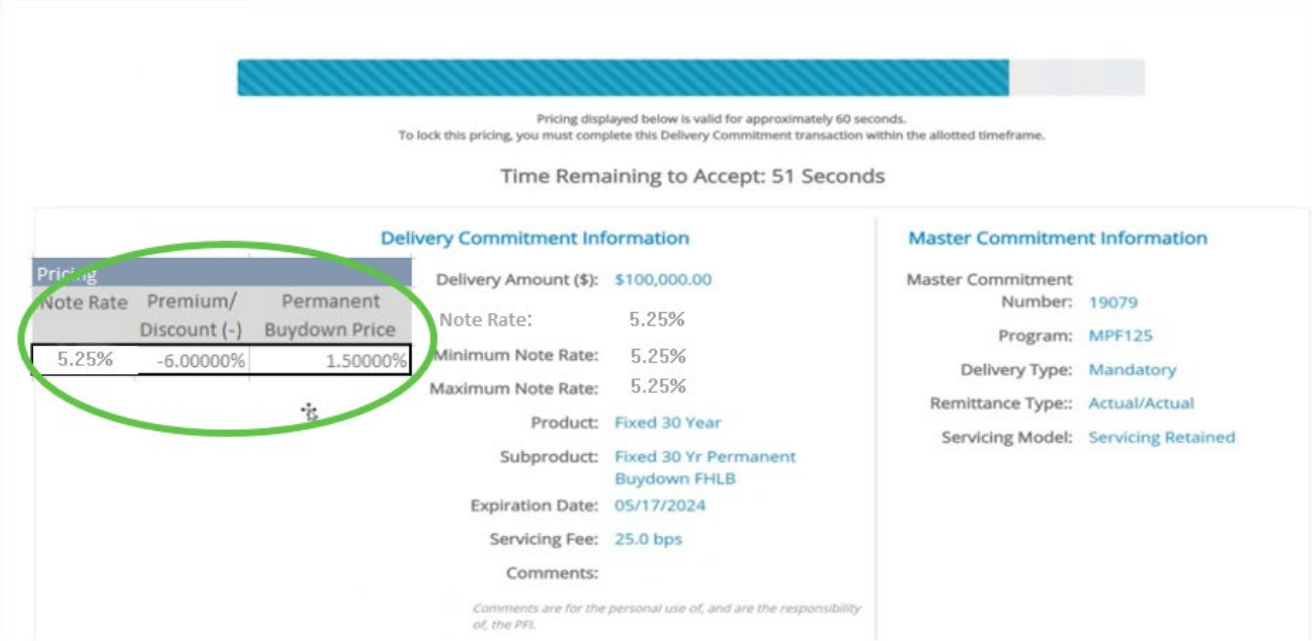
Comments are for the personal use of, and are the responsibility of, the PFI.

Master Commitment Information

Master Commitment Number:	19079
Program:	MPF125
Delivery Type:	Mandatory
Remittance Type::	Actual/Actual
Servicing Model:	Servicing Retained

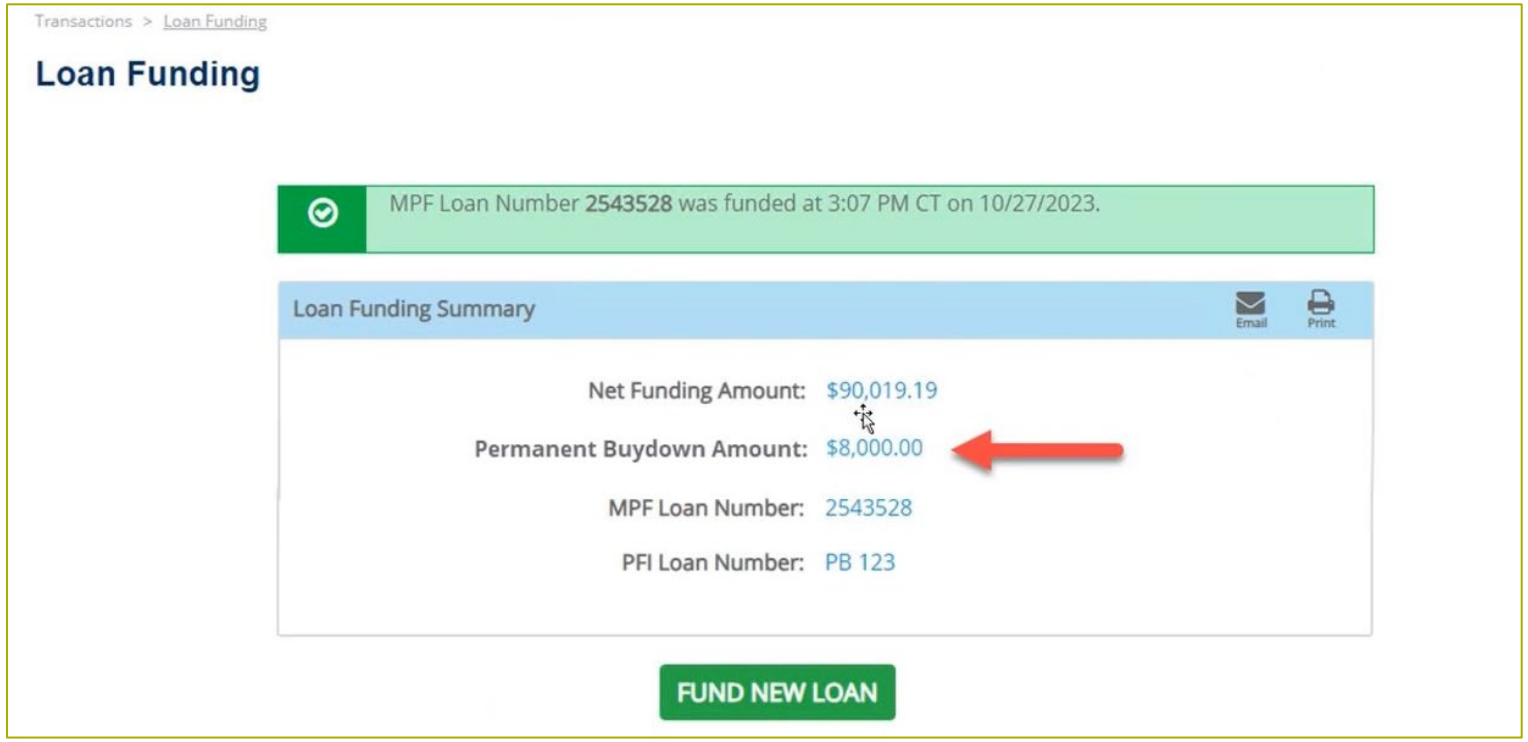
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PRICING AND DELIVERY

- No additional closing documents are required. Do not put the subsidy funds on the Loan Estimate or Closing Disclosure, as the funds are disbursed to the PFI, not to the borrower.
- There are no changes to the funding process.
- No changes to anything related to post-closing or delivery steps.
- **IMPORTANT: If a repurchase is required, the buydown funds and the premium on sale will be recaptured. The same will apply if a loan is paid in full within 120 days of purchase.**

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PRICING AND DELIVERY – SERVICE RELEASED

- Servicing released to Newrez, LLC
- Use the price that corresponds to the lowest rate on the rate stack, even if the rate offering is lower.

Example:

Permanent Buydown Rate is 4.50%,

Base SRP would be 1.120

Pricing Effective Date: 9/12/2024

Conforming Fixed Rate Pricing

30 Year Fixed		
Note Rate	SRP (25 bps Serv Fee)	Multiple
4.625	1.120	4.48
4.75	1.109	4.44
4.875	1.098	4.39
5	1.086	4.34
5.125	1.073	4.29
5.25	1.060	4.24
5.375	1.046	4.18
5.5	1.034	4.14
5.625	1.022	4.09
5.75	1.010	4.04
5.875	0.998	3.99
6	0.986	3.94
6.125	0.975	3.90
6.25	0.965	3.86
6.375	0.956	3.82
6.5	0.945	3.78
6.625	0.936	3.74
6.75	0.928	3.71
6.875	0.921	3.68
7	0.910	3.64
7.125	0.898	3.59
7.25	0.886	3.54
7.375	0.875	3.50
7.5	0.865	3.46
7.625	0.856	3.42
7.75	0.847	3.39
7.875	0.839	3.36

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MORTGAGE RATE REDUCTION PRODUCT SUMMARY AND NEXT STEPS

SUMMARY

- Loans will be sold into existing MPF Traditional Product MCs. Monitoring of total sold into the MCs will be conducted by FHLBank Topeka
- **Only one loan per DC, no bulk locks will be allowed**
- Include all income for all borrowers who are on the title and cannot exceed 80% AMI.
- All adult owners of the property must be on the application, note and hold title.
- **No third-party originations, loans must originate and close in the name of the PFI.**
- Product type will be 30-year fixed only.

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SUMMARY

- Loans will be subject to the MPF Program's Quality Control (QC) process. Loans not meeting the income requirements will be subject to repurchase.
- Full tax transcripts to support income used for underwriting must be in file prior to funding.
- **Note rate and price will not change often. There is no interest rate tolerance: Only one Note Rate will be displayed which is the interest rate you will give the borrower. Check eMPF® or your PPE for pricing changes.**
- Loan data delivery must be primary residence and have a loan origination source of Retail.
- Loans must be sold under the MPF Program on or before 12/31/2025.

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NEXT STEPS

- Review your current pipeline for qualifying borrowers up to 80% of AMI. Ensure that income from all borrowers who are owners of the property is included in the underwriting analysis.
- Once eligible loans are identified, go to eMPF and execute a DC.
- Please execute a separate DC for each loan.

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NEXT STEPS

- Product and Pricing Engine (PPE) users, please contact your PPE vendor to setup this pricing option
- **PFIs are limited to a gross funded loan amount of $3 million.**
- FHLBank Topeka will guarantee subsidy funds for all unexpired DCs.
- Pricing will no longer be available in eMPF once a PFI has reached the $3 million limit, or the subsidy amount has been reached.

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TRAINING COMPLETION ATTESTATION

- ✓ One individual from your institution will send an email to: ProductAdministration@fhlbtopeka.com to attest to completion of training. Attestation of training must be complete before a PFI will have access to Mortgage Rate Reduction pricing in eMPF.
- ✓ Please be sure to include your name, institution and PFI number in the attestation email.
- ✓ Please allow 1 business day to process your access to pricing.

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