FHLBank Topeka

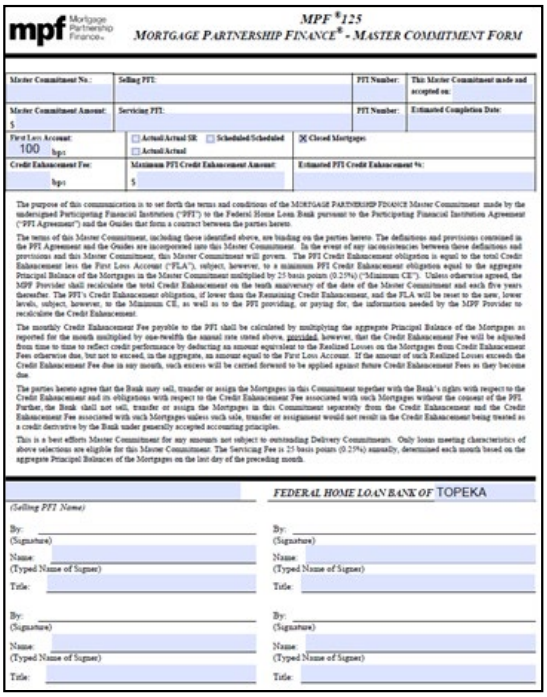
Mortgage Partnership Finance® (MPF®) Program

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" is important as it is the gateway to easily starting and continuing your valued secondary market relationship with us. Inside we'll 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 you and FHLBank Topeka. It defines the terms under which we will fund or purchase a pool of mortgages to be delivered by you. An MC is signed and executed before you begin selling eligible loans to us. Each MPF Program traditional product, e.g., MPF Original, MPF 125, MPF Government and MPF Government MBS, will have a specific MC form. Each form, regardless of MPF product, has roughly the same fields for completion.



mpf Mortgage Partnership Finance®

MPF®125

MORTGAGE PARTNERSHIP FINANCE® - MASTER COMMITMENT FORM

Master Commitment No.:	Selling PFI:	PFI Number:	This Master Commitment made and accepted on:
Master Commitment Amount: $	Servicing PFI:	PFI Number:	Estimated Completion Date:
First Loss Account: 100 bps	☐ Actual/Actual SR ☐ Scheduled/Scheduled ☐ Actual/Actual	☒ Closed Mortgages	
Credit Enhancement Fee: bps	Maximum PFI Credit Enhancement Amount: $	Estimated PFI Credit Enhancement %:	

The purpose of this communication is to set forth the terms and conditions of the MORTGAGE PARTNERSHIP FINANCE Master Commitment made by the undersigned Participating Financial Institution ("PFI") to the Federal Home Loan Bank pursuant to the Participating Financial Institution Agreement ("PFI Agreement") and the Guides that form a contract between the parties hereto.

The terms of this Master Commitment, including those identified above, are binding on the parties hereto. The definitions and provisions contained in the PFI Agreement and the Guides are incorporated into this Master Commitment. In the event of any inconsistencies between these definitions and provisions and this Master Commitment, this Master Commitment will govern. The PFI Credit Enhancement obligation is equal to the total Credit Enhancement less the First Loss Account ("FLA"), subject, however, to a minimum PFI Credit Enhancement obligation equal to the aggregate Principal Balance of the Mortgages in the Master Commitment multiplied by 25 basis points (0.25%) ("Minimum CE"). Unless otherwise agreed, the MPF Provider shall recalculate the total Credit Enhancement on the tenth anniversary of the date of the Master Commitment and each five years thereafter. The PFI's Credit Enhancement obligation, if lower than the Remaining Credit Enhancement, and the FLA will be reset to the new, lower levels, subject, however, to the Minimum CE, as well as to the PFI providing, or paying for, the information needed by the MPF Provider to recalculate the Credit Enhancement.

The monthly Credit Enhancement Fee payable to the PFI shall be calculated by multiplying the aggregate Principal Balance of the Mortgages as reported for the month multiplied by one-twelfth the annual rate stated above, provided, however, that the Credit Enhancement Fee will be adjusted from time to time to reflect credit performance by deducting an amount equivalent to the Realized Losses on the Mortgages from Credit Enhancement Fees otherwise due, but not to exceed, in the aggregate, an amount equal to the First Loss Account. If the amount of such Realized Losses exceeds the Credit Enhancement Fee due in any month, such excess will be carried forward to be applied against future Credit Enhancement Fees as they become due.

The parties hereto agree that the Bank may sell, transfer or assign the Mortgages in this 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 this Commitment separately 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.

This is a best efforts Master Commitment for any amounts not subject to outstanding Delivery Commitments. Only loans meeting characteristics of above selections are eligible for this Master Commitment. The Servicing Fee is 25 basis points (0.25%) annually, determined each month based on the aggregate Principal Balances of the Mortgages on the last day of the preceding month.

(Selling PFI Name)	FEDERAL HOME LOAN BANK OF TOPEKA
By: (Signature)	By: (Signature)
Name: (Typed Name of Signer)	Name: (Typed Name of Signer)
Title:	Title:
By: (Signature)	By: (Signature)
Name: (Typed Name of Signer)	Name: (Typed Name of Signer)
Title:	Title:

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 (listed above) 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.

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Establishing a Master Commitment

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; which government product (HUD Section 184, RHS Section 502; FHA/VA). MPF staff at FHLBank Topeka will set you up with the correct MC form(s).

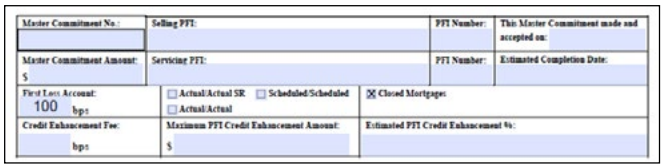
What are all those fields on the Master Commitment?

MPF staff at FHLBank Topeka will complete all required MC agreement fields, but to do so, they will need to know the options you have selected (e.g., which MPF product, servicing released or retained, remittance type, etc.).

MCs for conventional loans are issued typically for a one-year period (not less than three months) and renewed for an additional year; for MPF Xtra and MPF Government masters the timeframe is one year initially and renewed or extended each year up to 10 years in total. These timeframes will be reflected in the fields entitled This Master Commitment made and accepted on and Estimated Completion Date.

The Master Commitment Amount field represents the volume of loans you anticipate selling under the applicable MC within the given time frame (typically, one year). $5 million annual volume is the minimum amount reported on the MC.

The First Loss Account (FLA) and Credit Enhancement (CE) Fee 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 FHLBank Topeka's 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. The CE fee amount typically ranges from 7 to 10 basis points per annum against the unpaid principal balance of loans in the pool.

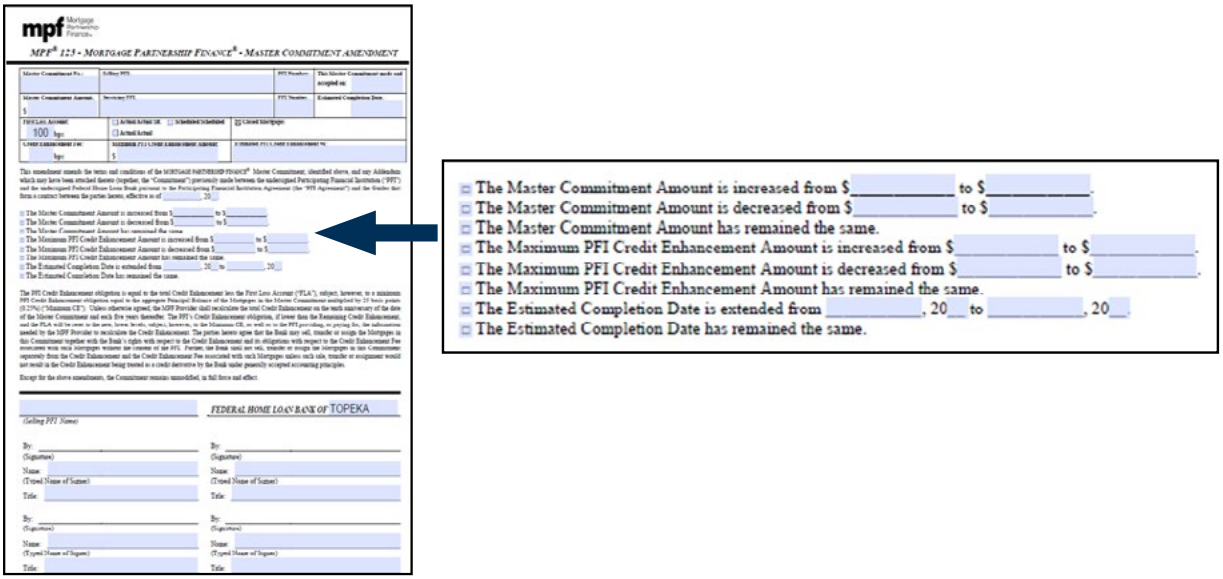


The Maximum PFI Credit Enhancement Amount field is calculated by taking the percentage amount indicated in the Estimated PFI Credit Enhancement % field, multiplied by the amount in the Master Commitment Amount field. If for example, the Master Commitment Amount is set at the minimum of $5 million and your share of the credit risk is estimated to be approximately 6% of gross fundings, then the maximum PFI CE amount field will be $300,000. 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 an MC number (Master Commitment No. field) holds a specific set of eligible mortgage loans sold by you to us. Your MC number is key and is used in various transactional tasks such as to lock delivery commitments and sell loans to us. **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.**

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

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



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

Several reports are available to you on the eMPF® transactional website (*www.empf.com*) that reflect your loan funding activity under the MPF Program. All Master Commitment reports can be found on eMPF under Reports/Master Commitments. You will need a username and password to access eMPF.



Will you train us?

Absolutely! FHLBank Topeka staff, along with staff from the MPF Provider, host many monthly webinars to help get you acclimated to the MPF Program. Check out our website at *www.fhlbtopeka.com/events* for available webinars.

FHLBank Topeka

Learn More

If you have any questions about this process, please contact us. For a full list of other helpful guides about the MPF Program, visit our website at *www.fhlbtopeka.com/mpf*, select Operational Guides tab.

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