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How Loan Balance Pricing Works

Tips to help take advantage of this new option

On April 10, 2023, FHLBank Topeka activated loan balance pricing via the MPF Traditional Product.

With this enhancement, PFIs will see stronger pricing available for conventional loans based upon the loan amount. FHLBank Topeka has activated four new loan level tiers giving you the option of nine total pricing tiers.

15 Year
- FX15 $175,000 Max
- **FX15 $200,000 Max**

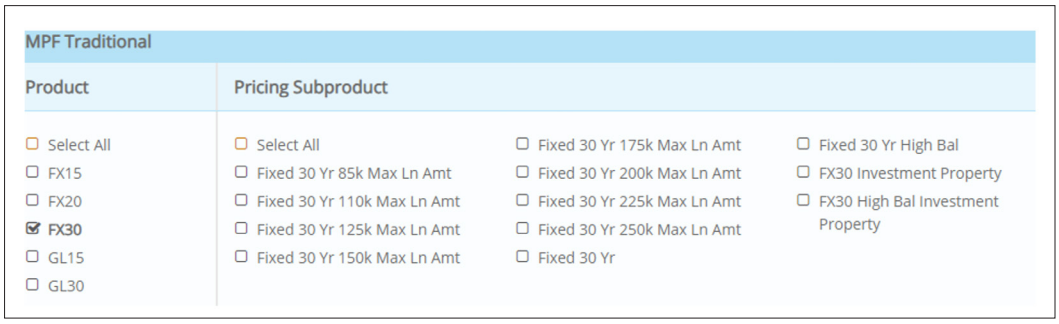
20 Year
- FX20 $175,000 Max

30 Year
- FX30 $125,000 Max
- FX30 $175,000 Max
- **FX30 $200,000 Max**
- FX30 $225,000 Max
- **FX30 $250,000 Max**
- **FX30 $275,000 Max**

What Does This Mean?
This means we have expanded the loan amounts which can take advantage of loan level pricing. Up to $275,000 on 30 Year loans. We have also added an additional tier at $200,000 on both the 15 Year and 30 Year terms.

What Do PFIs Need to Do?
In short, nothing. No new master commitment is required, no forms to fill out and no new products to sign up for. If you have an active MPF Traditional Product master commitment (MPF Original or MPF 125), you have access to these pricing enhancements.

What you may notice first is there are several more tiers than we mentioned above. Only the loan balance tiers we referenced are currently active but stay tuned for additional tiers rolling out in the future.



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Chris has been at FHLBank Topeka since 2005 and previously worked for a community bank. He is a graduate of Emporia State University. Contact him today.

How Do I Lock in the Better Pricing?
In the previous **Financial Intelligence** article we posted introducing the loan balance pricing, we provided a quick step-by-step listing of the process of locking in a delivery commitment with loan balance pricing included. The key is making sure to select the subproduct (or tier) correctly. For example, for the 30 Year pricing we activated three subproducts (tiers) as listed above. So, depending upon the loan amount you are locking, you would need to select the appropriate subproduct.

For example:
- $115,000 Loan Amount
- 30 Year FX Term
- 45 Day Rate Lock
- 6.5% Rate

On the Delivery Commitment page, you would need to input the following information:
- Delivery Amount: $115,000
- Product: Fixed 30 Year
- **Subproduct: Fixed 30 Yr 125K Max Ln Amount***
- Commitment Term 45 Days

***Note:** I chose the $125,000 max loan amount even though the loan is not for $125,000. That is where the "max" comes into play. Loan amounts up to each of the tiers are eligible to receive the enhanced pricing, not just those that hit the number exactly. In reality, each tier actually works like this.

30 Year
- $0 - $125,000 Max Loan Size
- $126,000 - $175,000 Max Loan Size
- $176,000 - $200,000 Max Loan Size
- $200,000 - $225,000 Max Loan Size
- $225,000 - $250,000 Max Loan Size
- $250,000 - $275,000 Max Loan Size

This provides a great deal more availability, essentially giving every loan of $275,000 or less access to stronger pricing. Again, only if you remember to select the correct subproduct.

Things to Remember
As stated before, the usage of the subproduct field is imperative to obtaining the enhanced pricing. Without selecting it, you will only receive the base 30 YR pricing. Even if the loan size would allow for a benefit, the system is unable to make that distinction for you.

If you are locking loans in bulk, it would benefit you to pull out any loans below the $275,000 amount and lock them separately via the loan balance pricing options to maximize your execution opportunity.

While the "max" loan size provides flexibility, it also creates a hard stop. Meaning if you have a loan for $174,000, but there is potential your loan amount could exceed $175,000 when it finalizes, you would be wise to lock your loan using the $200,000 subproduct. This adjustment cannot be made after the fact. If your loan exceeds the original designated subproduct loan size, the delivery commitment would need to be paired off and a new commitment locked for the corrected subproduct amount, which could negatively impact you and your borrowers.

When in Doubt
If you have questions as you begin to utilize this new product feature, do not hesitate to reach out to the MPF Sales department in Topeka. We are here to assist you and address your questions or concerns. This enhancement provides tremendous opportunity for you and your borrowers, but it does come with some additional steps and things to keep in mind. Let's all work together to take full advantage.

Contact Chris today for solutions that work for you.

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