

## MPF Government

The MPF Government product helps PFIs originate and sell fixed-rate mortgage products insured or guaranteed by the government including the Federal Housing Administration (FHA), the U.S. Department of Veterans Affairs (VA), the U.S. Department of Agriculture's Rural Development (RD) Section 502, and the U.S. Department of Housing and Urban Development (HUD) 184 loans, with no credit retention.

### BACKGROUND AND PURPOSE

MPF Government offers PFIs the ability to originate and sell loans insured or guaranteed by the FHA, VA, USDA's RD Section 502, and HUD 184 loans with no credit risk retention.<sup>29</sup> MPF Government loans are originated and committed to an FHLB master commitment prior to closing. The FHLB purchases MPF Government loans and holds them in portfolio. 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. PFIs must be approved by the applicable government agency to originate and service loans.

**Loan Types:** FHA, VA, RD Section 502, and HUD Section 184.

**Loan Delivery:** The PFI will obtain a master commitment from the FHLB for government loans the PFI expects to sell, specifying the time period in which it expects to sell the mortgages to the FHLB.

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

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

**Servicing Fee:** 44 basis points paid monthly, if servicing is retained.

**Credit risk-sharing structure:** Not applicable.

### Potential Benefits

- The MPF Government offers PFIs the ability to originate and sell government loan products and transfer liquidity, prepayment, and credit risk to the investors.
- The PFI can either retain or sell servicing rights.

### Potential Challenges

- The PFI retains the representations and warranties' risk for origination required by the FHLB.
- The applicable government agency must approve the PFI to originate and service loans (if applicable).

<sup>29</sup> See *Affordable Mortgage Lending Guide, Part I: Federal Agencies and Government Sponsored Enterprises* (Washington, DC: Federal Deposit Insurance Corporation, 2016), <https://fdic.gov/mortgagelending> for a complete list of loan products.