Summer 2017
Mortgage Partnership Finance® (MPF®) Program

MPF® in Focus

A New Servicing Choice: MPF Traditional Products Now Provide Greater Flexibility

Analytics Corner: MPF Program Credit Union Participation on the Rise

PFI Conversation: "The MPF Program Is Focused on Us"

How has the MPF Program helped you serve your community? Watch the video

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Federal Home Loan Bank of Chicago
200 East Randolph Drive
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Phone: 877-463-6673
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FHLBANKS
A NATION OF LOCAL LENDERS

New loan purchases available through the Federal Home Loan Banks of Atlanta, Boston, Chicago, Dallas, Des Moines, New York, Pittsburgh, San Francisco, and Topeka.

This newsletter contains forward-looking statements which are based upon our current expectations and speak only as of the date hereof. These statements may use forward-looking terms, such as "anticipates," "believes," "expects," "could," "plans," "estimates," "may," "should," "will," or their negatives or other variations on these terms. We caution that, by their nature, forward-looking statements involve risk or uncertainty, that actual results could differ materially from those expressed or implied in these forward-looking statements, and that actual events could affect the extent to which a particular objective, projection, estimate, or prediction is realized. These forward-looking statements involve risks and uncertainties including, but not limited to, the instability of the credit and debt markets, economic conditions (including effects on, among other things, the housing market), changes in mortgage interest rates and prepayment speeds on

MPF® in Focus

A New Servicing Choice: MPF Traditional Products Now Provide Greater Flexibility

The MPF Program is expanding our selection of servicing released options, giving Participating Financial Institutions (PFIs) the flexibility to choose the best combination of pricing, execution, and overall experience for their individual needs. Earlier this month, we announced our latest addition: a new servicing released alternative for fixed-rate conventional and government loans sold under the MPF Traditional products.

Introducing CMC Funding

In addition to our current easy-to-use, competitive, and experienced loan servicer, Colonial Savings, we are now giving PFIs the opportunity to work with CMC Funding, a subsidiary of Capital Markets Cooperative. CMC Funding is a respected loan servicer with a history of supporting community lending institutions across the country.

Competitive Pricing, Simplified Execution

The CMC Funding option offers PFIs a variety of features that can enhance the process of selling servicing under the MPF Traditional products:

- Market-competitive pricing, which is available now on the eMPF® transaction website.
- Expanded loan eligibility, including the flexibility to sell loans PFIs have already serviced (with up to 24 payments applied).
- A streamlined loan documentation process: Just upload electronic scans of mortgage files through eMPF, and the files will be sent to the servicer automatically—no additional servicing data are required.

Take a Closer Look

Getting started with the new MPF Traditional servicing released option is easy: If you'd like to learn more, contact your MPF Bank representative and watch for an upcoming webinar detailing this new option. If you've discussed this alternative with your MPF Bank representative and you're ready to move forward, all you'll need is to sign a master commitment specifying your choice to sell servicing released with CMC Funding—no separate purchase and sale agreement is necessary.

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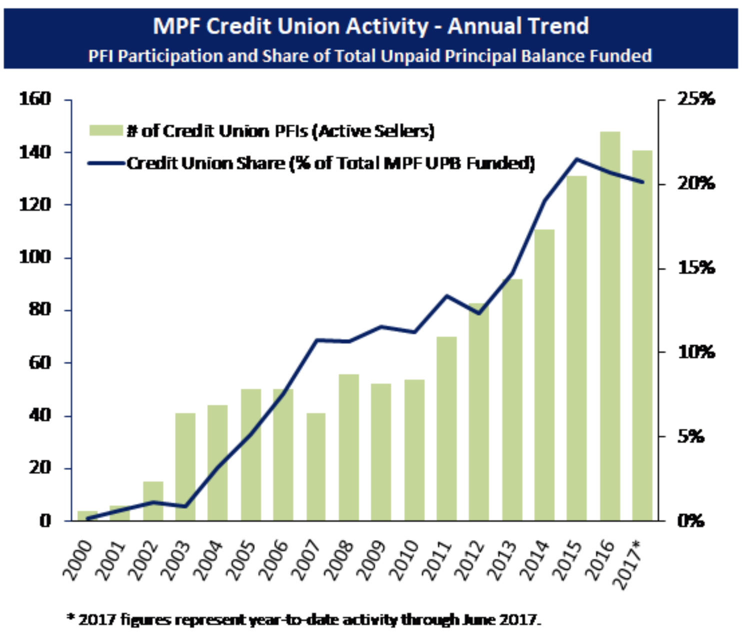
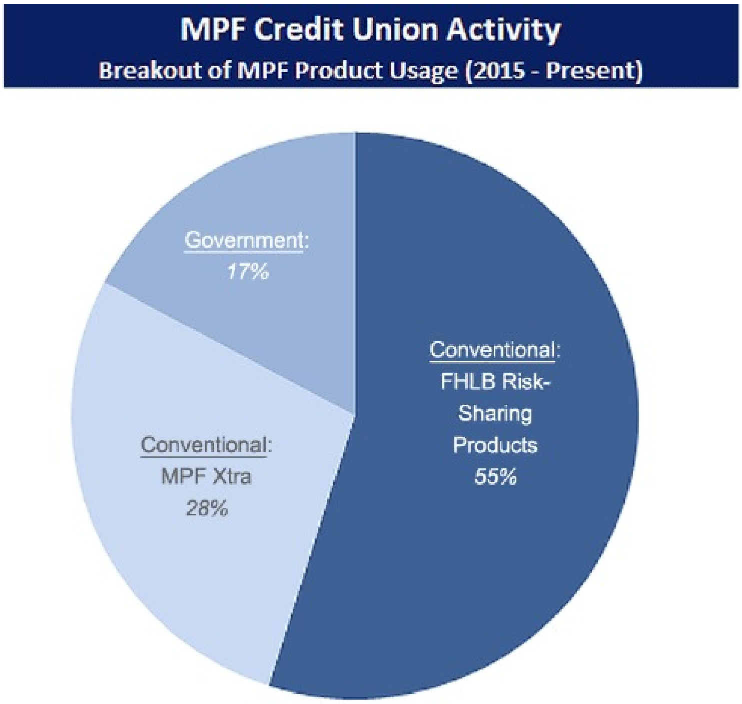
Analytics Corner: MPF Program Credit Union Participation on the Rise

Patrick Sullivan
Vice President
MPF Mortgage Analytics
MPF Program

In a mortgage origination landscape where non-depository institutions have steadily increased their market share in recent years, the MPF Program is proud to serve as a preferred source of mortgage liquidity to a growing number of member banks, thrifts, and credit unions. Our consistent focus on providing reliable liquidity, service, and training has resulted in increased member participation, particularly among institutions that face challenges with alternative secondary market investors as the industry changes and non-depositories gain prominence



A notable development over the last several years has been the growth in MPF participation by credit union members. As shown in the graph above, the number of credit unions delivering loans to the MPF Program has tripled since 2009, reaching nearly 150 during 2016. During this time, the share of total MPF loans delivered by credit unions has increased to above 20% as measured by unpaid principal balance. In the first half of 2017, the number of credit union Participating Financial Institutions (PFIs) has nearly met last year's total and is on pace to continue the growth observed over the last seven years.



As shown in the pie chart, credit union PFIs have used a balanced mix of MPF products. The majority have delivered conventional loans under the MPF Traditional products and have earned Credit Enhancement Fee income for sharing in the credit risk of loans delivered. To a lesser extent, credit unions have opted to use MPF Xtra® for conventional loans, and a smaller but still significant portion of deliveries have consisted of government loans under the MPF Government and MPF Government MBS products.

We are encouraged to see this growth in participation among our valued credit union members, and remain committed to providing ongoing liquidity and support for all our PFIs' residential lending efforts within their communities.

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Mortgage Partnership Finance
Celebrating Twenty Years

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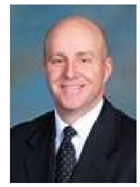

David Gerritson
Vice President
Mortgage and Consumer Lending Division
Fox Valley Savings Bank

Fox Valley Savings Bank (FVSBank)—a member of the Federal Home Loan Bank of Chicago with $331 million in assets and locations in Fond du Lac, Waupun, and Oshkosh, Wisconsin—has been a Participating Financial Institution (PFI) since the early days of the Mortgage Partnership Finance® (MPF®) Program. "We were one of the first members to use the MPF Program; we took out our first master commitment in July 1998, and I believe we were the 15th PFI," says David Gerritson, FVSBank's Vice President, Mortgage and Consumer Lending Division. *MPF in Focus* recently spoke with Gerritson about FVSBank's relationship with the MPF Program and why it has remained strong for nearly 20 years.

Why did FVSBank start using the MPF Program, and why do you continue to use it today?

It gave us the ability to sell fixed-rate loans into the secondary mortgage market, with good pricing and the ability to service those loans to generate additional fee income.

In 1998, we didn't have other secondary market options. Now, we do have the ability to sell directly to other investors, but we've always found the MPF Program to be a better fit for a couple of reasons: the ease of use of the entire program, from taking on a master commitment, to taking on a delivery commitment, to presenting a loan for funding, to the actual funding process; and how easy it is to work with the MPF Service Center—you can make a call and get immediate answers on anything from underwriting to origination to servicing.

Also, the MPF Program's underwriting guidelines give us the flexibility we need to be competitive, which allows more people in our community to get into homes. The ability to offer fixed-rate loans at competitive pricing, together with the overall ease of use of the program, is truly an advantage.

Which product do you currently use most, and what value has it brought to FVSBank?

We currently sell loans under the MPF Original product, and a couple of benefits stand out for us in comparison with other investors. One huge benefit is the risk-sharing feature of the product, together with the FHLBank Chicago's first-loss account, where the Bank sets aside a percentage of the balances of sold loans to offset future losses. Under this credit enhancement structure, we're also paid a Credit Enhancement Fee to take on some of the risk for the loans we sell, so that's another income generator for us.

As a member of the MPF Advisory Council, why do you think it's important for your institution and other PFIs to have a voice in the MPF Program?

We and other PFIs are the customers of the MPF Program, so they're focused on us and what's happening in our markets across the country. We can come to the MPF Program and say, *these are the things we need*—whether they are program issues, industry issues, or product opportunities—and then actually see those changes being made. It's tremendous. They really do listen.

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