20 mpf Mortgage Partnership Finance
Celebrating Twenty Years

MPF® in Focus

Fall 2017 Mortgage Partnership Finance® (MPF®) Program

CE Estimator Tool: An Easier Way to Manage Your Pipeline

Analytics Corner: Rewarding Members for Exceptional Loan Performance

Are You Taking Advantage of MPF Training?

PFI Conversation: "The More Our Communities Prosper, the More We Stand to Benefit"

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CE Estimator: An Easier Way to Manage Your Pipeline

Participating Financial Institutions (PFIs) examining the potential credit enhancement (CE) obligation for a loan or batch of loans they are considering for sale under the MPF Traditional risk-sharing products have a new alternative to the loan presentment options available on eMPF®. The MPF Program has created the CE Estimator tool to provide PFIs with an easier way to obtain estimated loan-level CE amounts (as well as indicative pricing, if desired), using just 20 data points.

Aiming to strike the right balance between ease of use and reliability of results, the new tool requires only the 20 most influential loan data characteristics to render a reasonably accurate estimate of the CE amount. Further, the simplified file design allows PFIs to experiment, varying loan characteristics to gauge the credit risk under hypothetical loan scenarios. What if something about the loan changes—for example, if the borrower decides to put 20% down instead of 25%? What if the FICO score is higher than expected? The CE Estimator allows PFIs to easily estimate the credit enhancement any number of times, using any combination of variables.

Important Considerations

The new CE Estimator is designed to facilitate pre-loan sale decisions. Because this tool doesn't require all of the data points involved in the full loan presentment, it can only provide an estimate of the actual CE obligation. Also, receipt of an estimated CE amount from the tool should not be viewed as a confirmation of loan eligibility. MPF Program loan funding and actual CE amounts can only be obtained through the full loan presentment process. Please consult the MPF Guides or contact the MPF Service Center for questions related to loan eligibility.

Make Informed Choices with Less Data

To access the tool, visit the eMPF website, choose the "Transactions" tab, and select "Credit Enhancement Estimator" from the drop-down menu. On the Credit Enhancement Estimator page, you can submit a CE Estimator (CSV format) file including the 20 data fields necessary to approximate the CE amount. Within seconds, you'll be able to view your results via email or under the "Reports" tab on eMPF.

The CE Estimator file layout, the template, and a sample file can be downloaded from the "Selling" section under the eMPF "Exhibits" tab or from www.fhlbmpf.com, and the data for the file can be entered

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manually or extracted by the PFI's loan origination system. If you have questions about the new CE Estimator tool, contact the MPF Service Center at 877-345-2673 or mpf-help@fhlbc.com.

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Analytics Corner: Rewarding Members for Exceptional Loan Performance

Patrick Sullivan

Vice President,

MPF Mortgage Analytics,

MPF Program

Across the industry, 2017 has marked a pivotal year in which delinquency rates have generally returned to "pre-crisis" levels. This return to relative normalcy reflects the conclusion of a nine-year period of gradual turnaround aided by a steadily improving economic and home-price environment, enhancements in default servicing standards, and the historically high performance of conventional loans originated since 2009. The MPF Program reached a milestone in Q2 2017, with the serious delinquency rate on loans outstanding across all conventional products declining to a nine-year low of 0.50%.

Since the MPF Program was created in 1997, MPF loans have consistently outperformed industry benchmarks. As illustrated in the graph below, while MPF loans inevitably experienced an increase in delinquencies and defaults in the wake of the severe economic event of 2008-2009, their performance was strikingly different from that seen in the broader industry. While the serious delinquency rate for conventional loans exceeded 5.00% at its highest point across the broader industry, it peaked at just 1.41% within the MPF Program, reflecting a gradual increase rather than a drastic spike. The superior performance of MPF loans prior to, during, and following the crisis years speaks to the high credit quality of loans originated by local and community financial institutions, the core customers of the MPF Program.

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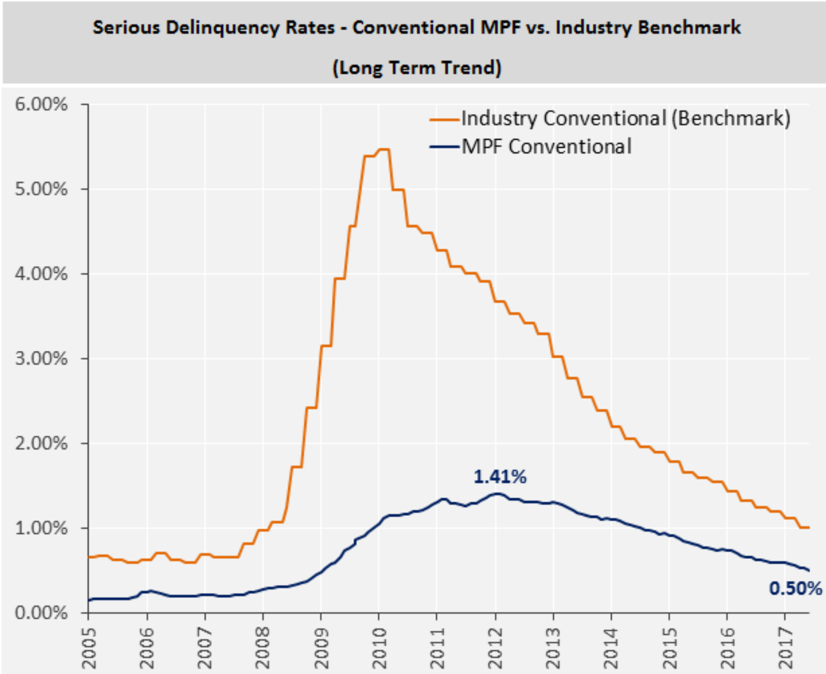
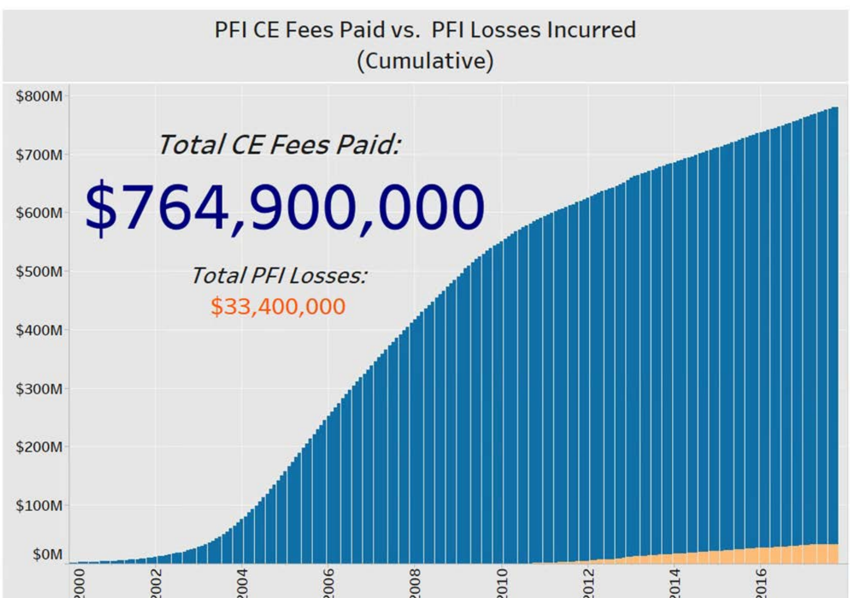


This strong performance over the past 20 years has been advantageous for Participating Financial Institutions (PFIs) delivering conventional loans under the MPF risk-sharing products. Through August 2017, PFI sellers have been paid a total of $764.9 million in credit enhancement (CE) fees for retaining a portion of credit risk, and have incurred a total of just $33.4 million in credit losses associated with the risk-sharing arrangement (a ratio of nearly 23:1, as illustrated in the graph below).



Credit Enhancement fees paid are nearly 23x PFI Losses

Consistent with the broader industry, performance on loans funded since 2009 has been optimal. Going forward, we expect the ratio of CE fees paid to PFI credit losses incurred to increase, further rewarding PFIs for delivering high-credit-quality loans with performance that rivals the best in the industry.

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Are You Taking Advantage of MPF Training?

National Education Manager Julie Schneider on the Perks PFIs Shouldn't Miss

As the MPF Program's National Education Manager, Julie Schneider devotes her working hours to developing and delivering training resources for FHLBanks and Participating Financial Institutions (PFIs). *MPF in Focus* recently asked Julie about the educational benefits of MPF Program participation and how these perks are evolving to meet participants' needs.

What types of training support does the MPF Program provide to PFIs?

We offer three kinds of educational resources:

The MPF Program has always provided a number of educational webinars each month. (See our calendar of upcoming webinars.) Of course, many are on MPF-specific topics like investor reporting, delinquency management, or underwriting and eligibility for the MPF Traditional products or MPF Xtra®. But we also work with several mortgage insurance companies with fantastic trainers who provide sessions on more general industry topics like evaluating self-employed borrower income or analyzing appraisals—even some sales-focused webinars for loan officers. It's my goal to create a comfortable, live learning environment, making the webinars conversational instead of just someone reading slides.

MPF University is free on-demand learning for our PFIs. We offer 40 online courses that PFIs can register for on our website and take at their leisure. A lot of PFIs use that as an onboarding program for new employees or as a training tool for those who need a refresher.

We also offer support out in the field. We've got some great, experienced trainers who know their markets, and we make sure they have the tools they need, giving them more time to train and not worry so much about preparing and updating materials. A lot of our PFIs appreciate the face-to-face training, as well as the flexibility to receive training via webinar, too.

Why are these educational opportunities so important to PFIs?

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It's all about adding value. Much of the training offered today comes at a cost, and it can be expensive. We offer free training in the form of both live webinars and on-demand courses.

Our PFIs are avid learners; they like to keep up-to-date and hone their skills. But a lot of them wear many different hats, so it can be difficult for them to keep up with what's happening in the industry, and not many institutions have their own in-house training staff. We are here to help fill that gap for our PFIs. Our webinars and on-demand courses are convenient, and—again—they're free.

How do you keep up with PFIs' changing needs?

We want to hear from our PFIs, and we take requests! For example, we get a lot of requests for recordings after we do a webinar, so we're starting to look at recording more of our MPF webinars so they're available on demand on the MPF website. We have to be very selective, though, because in our industry things change constantly, so we avoid recording content that's quickly out of date.

If PFIs suggest new webinar topics or topics they'd like us to cover again, we try to fit them on the calendar whenever possible. For example, the new Title Insurance Basics webinar coming up on November 9 was added in response to a request. PFIs can always reach out to me with questions, comments, or suggestions at mpftraining@fhlbc.com.

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Janette Mah
Executive Vice President and Chief Mortgage Banking Officer, Bank of Hope

Los Angeles-based Bank of Hope was founded 36 years ago as a small-business lender catering to the city's large but underserved Korean-American immigrant population. Today, this member of the Federal Home Loan Bank of San Francisco (FHLBank San Francisco) is the only super-regional Korean-American bank in the United States, with approximately $13.9 billion in assets, 64 full-service branches, eight loan production offices, and a multiethnic population of customers across 11 states. Despite its growth, the bank maintains its identity as a community lender closely connected to its immigrant roots, says Janette Mah, Bank of Hope's Executive Vice President and Chief Mortgage Banking Officer, and a member of the MPF Advisory Council. "We are large enough to offer diverse products and services, but small enough to know our customers by their first and last names and to welcome them that way," she explains.

MPF in Focus recently spoke with Mah about how the MPF Program supports Bank of Hope's goals, and about her recognition as one of *HousingWire* magazine's 2017 Women of Influence.

What does Bank of Hope do to serve Korean-American and other immigrant communities?

While the bank has grown into a diversified financial institution, we believe it's important to maintain strong ties with our communities, because this is where we came from and where we have the greatest competitive advantages. Bank of Hope has grown alongside its core customer base, fostering growth within these communities that have been (and will continue to be) the foundation of our success. In addition to the loans and investments we make, Bank of Hope also supports its communities through corporate philanthropy and partnerships with nonprofit organizations that focus on business development, education, housing, and employment. The more our communities prosper, the more we stand to benefit.

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Why did Bank of Hope begin participating in the MPF Program, and how has the program contributed to the bank's mission?

In 2015, we had the opportunity to participate in the MPF Program as one of the first PFIs at the FHLBank San Francisco. As a minority deposit institution, the opportunity to offer long-term, fixed-rate loans at competitive rates was very attractive.

Part of our mission is to be the premier bank for the target consumers in the communities we serve nationwide. The MPF Program has helped us expand our offerings to provide long-term, fixed-rate products at competitive rates to more of our customers. We've also found much value in the ease of conducting business with the MPF Program. Our MPF Program contacts are just a phone call away, and our FHLBank San Francisco partners are always accessible to help us with questions on anything from guidelines to investor reporting. Being able to speak to a person—versus an auto-generated email reply—is priceless.

You were named one of* HousingWire *magazine's 2017 Women of Influence. What has this recognition meant to you, and what advice can you give to other women looking to make their mark in community banking and mortgage finance?

I am extremely honored and humbled. This recognition acknowledges my individual contributions, but more importantly, it is an acknowledgment that a minority female is finding success in a male-dominated industry. This validation will hopefully inspire others to pursue their career ambitions. My advice to them is to be prepared to leverage unexpected opportunities: First, establish clear career goals. Second, create a very specific plan to achieve your goals. Third, work harder than your boss expects. If you do these things, you will be well prepared to take advantage of the opportunities that come your way.

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