

Leveling the Field for Community Lenders

FHLB's MPF Program Turns 25



*By John Stocchetti
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As we celebrate the 25th anniversary of the first loan purchased by the Federal Home Loan Bank's (FHLB) Mortgage Partnership Finance® (MPF) Program, it's a good time to look back at how the program has transformed mortgage funding for hundreds of community lenders nationwide. The MPF program was created in 1997 to provide FHLB members with reliable access to the secondary mortgage market, allowing our members to offer a wider range of mortgage products at more competitive rates. Over the years, the MPF program has grown and evolved, ensuring that we continue to provide the products and support members need to thrive and foster homeownership in their communities.

REALIZING THE REWARDS OF CREDIT QUALITY

Before the MPF Program, community lenders had two choices when originating fixed-rate mortgage loans: to keep them on their balance sheet (potentially limiting their mortgage business) or to sell them to a secondary market investor, paying rising guarantee fees despite the high credit quality of their loans. Recognizing the credit expertise of community lenders who know their borrowers, the FHLBanks saw the lack of secondary market competition for these high-quality loans as an untapped advantage for their members.

With this in mind, the MPF program developed the MPF Traditional products, offering members the best options for mortgage funding: the ability to transfer interest rate and prepayment risks to the FHLBanks while retaining a portion of the credit risk of loans they originate. The MPF Program then allows these members to capitalize on the quality of the mortgages they deliver by receiving Credit Enhancement income over the life of those loans. To date, members have received almost \$1 billion in additional income. The program was also designed to help community lenders maintain one of their greatest assets — customer relationships — by giving them the option to retain servicing and earn resulting income.

GROWING WITH OUR MEMBERS

Another aspect of the MPF program is our responsiveness to members' re-

quests, both through the dependability of our MPF Service Center and through the evolution of the program itself to meet their changing needs. What began as a single offering has grown into a suite of products designed to give community lenders a wider range of options to best serve their customers and communities. MPF mortgage products offer differences in terms of credit structure, risk-sharing versus non-risk-sharing, and loan type.

With the solid foundation of members' high-quality loans, combined with the hedging and funding advantages of the FHLBanks and the variety of products available, the MPF Program has provided community lenders with a stable liquidity option through good times and bad over the last quarter century, including during the Great Recession of 2007–2009. Through the years, the MPF Program has grown from just

six approved sellers in 1997 to the hundreds of members the program serves today. If your institution isn't already participating in the MPF program, now is a good time to consider how it could benefit your mortgage business over the next 25 years.

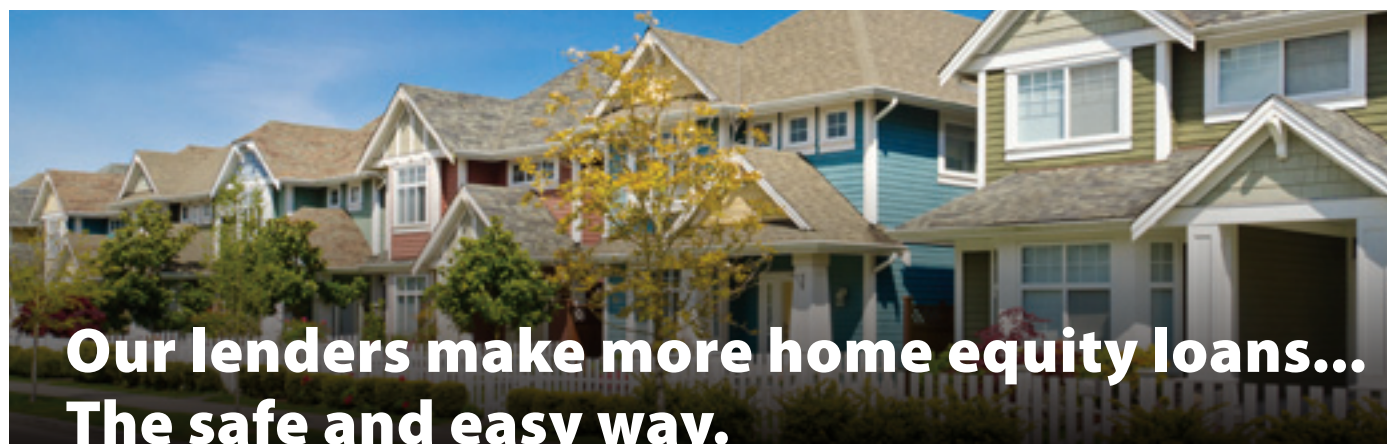


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