



The Mortgage Partnership Finance[®] Program

MPF Users Conference Going the XTRA Mile Panel Discussion



What is the Mortgage Partnership Finance (MPF) Program?

- FHLB alternative for funding fixed rate mortgage loans
- Credit Enhanced program between members and FHLB
- Non Credit Enhanced program
- Competitive and efficient funding source for member banks.



How Does MPF Add Value for Your Institution?

- Streamline mortgage processes
- Improve customer service
- Retain customer relationship
- Enhance mortgage profitability



Des Moines MPF Participant Profile

As of December 31, 2008

Member Assets	Participant Percentage	Volume Percentage
0<\$150mm	48.1	23.9
\$150mm<\$500mm	38.2	50.9
\$500mm < \$1 B	5.7	13.7
> \$1 B	8.0	11.5



I. Secondary Market Basics

- Interest Rate Risk
- Mortgage Credit Risk



MPF Program Basics

The MPF Program considers the competitive advantage of the participants. The Home Loan Bank or secondary market assumes interest rate and prepayment risk, the PFI maintains the customer relationship.



MPF Program Basics

The MPF program allows the mortgage loan credit risk to be shared between the Home Loan Bank and the Participating Financial Institution (PFI) OR transferred to the secondary market.



Comparison of Risk Allocation

RISK ALLOCATION	Portfolio Lending	Secondary Markets	MPF
Interest Rate Risk	Lender	Investor	FHLB
Credit Risk	Lender	Investor	FHLB LENDER



Secondary Market Pricing Components

- **Investor Net Yield** ○ **4.50%**
- **Servicing Fee** ○ **+ 0.25%**
- **Guaranty Fee** ○ **+ 0.28% (Illustration only)**
- **Mortgage Note** ○ **= 5.03%**



Secondary Market Pricing Components Understanding Pricing

September 30, 2009

- MBS Coupon ○ 4.50% at 101-10 or 101.3125
- Fannie Mae- Net yield ○ 4.61% at 100
- MPF Xtra ○ 4.875% at 100.4526
○ 5.00% at 100.9708
- MPF Traditional ○ 4.875% at 99.85
○ 5.00 % at 100.36
- Investor A-All in Price ○ 4.875% at 100.856
○ 5.00% at 101.313
- Investor B- Asset plus SRP ○ 4.875% at 99.684 plus SRP 1.65
○ 5.00% at 100.168 plus SRP 1.65



OTHER PRICING CONSIDERATIONS

- Adverse Market Delivery Fees
- Loan Level Price Adjustments
- Escrow Waiver Fees
- Value of servicing fee income
- Value of MPF Credit Enhancement Fee income
- Investor fees
- Spread income from warehouse line
- Loan shipping costs
- Marketing opportunities with customer



Pricing Considerations

- What if your investor closes their doors?
- What is the value of a AAA rated Investor?



Going the XTRA MILE Panel Discussion

- Julie Frankenberg
Bank of Franklin County
- Shawn Echelberry
Hedrick Savings Bank
- Dawn Anderson
Northview Bank



The MPF Program is a
value added product for Home Loan
Bank members



THANK YOU



Contact Information

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