mpf Mortgage Partnership Finance™

Partnership Is Our Middle Name.

New Logo Reaffirms MPF® Program's Commitment to Community Lenders

The Mortgage Partnership Finance® (MPF®) Program recently introduced a new logo in fresh royal blue with the tagline: *Partnership Is Our Middle Name*. The MPF Program was created in 1997 to provide small and mid-sized financial institutions that originate mortgages with easier access to the secondary mortgage market. The updated MPF logo and branding reaffirms to our members that the MPF Program is still strong and vital today.

The program's success rests on the close partnership between the Federal Home Loan Banks and their member Participating Financial Institutions (PFIs) that sell the mortgages. PFIs enjoy:

- Innovative risk-sharing structures;
- Easier access to the secondary market;
- Ability to retain their valuable servicing fee income and customer relationships;
- Electronic processing through the eMPF® website; and
- Free web-based training programs and access to dedicated customer service staff.

To learn more about the benefits of the MPF Program, contact **Tom Doyle** at **(212) 441-6712**. Additional information is online at **www.fhlbny.com/mpf**.

Federal Home Loan Bank of New York

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High-Balance Mortgage Loans (continued)

2-Digit State Code & State	3-Digit County Code & County		Property Limits			
			One-Unit	Two-Unit	Three-Unit	Four-Unit
34 New Jersey	005 Burlington 007 Camden	015 Gloucester 033 Salem	$420,000	$537,650	$649,900	$807,700
34 New Jersey	021 Mercer		$440,000	$563,250	$680,850	$846,150
34 New Jersey	001 Atlantic		$453,750	$580,850	$702,150	$872,600
34 New Jersey	009 Cape May		$487,500	$624,100	$754,350	$937,500
34 New Jersey	003 Bergen 013 Essex 017 Hudson 019 Hunterdon 023 Middlesex 025 Monmouth	027 Morris 029 Ocean 031 Passaic 035 Somerset 037 Sussex 039 Union	$729,750	$934,200	$1,129,250	$1,403,400
35 New York	027 Dutchess	071 Orange	$443,750	$568,050	$686,650	$853,350
35 New York	005 Bronx 047 Kings 059 Nassau 061 New York 079 Putnam	081 Queens 085 Richmond 087 Rockland 103 Suffolk 119 Westchester	$729,750	$934,200	$1,129,250	$1,403,400

Property Type	Max. LTV w/o Secondary Fin.	Max. LTV w/ Secondary Fin.	Max. TLTV w/ Secondary Fin.	Minimum Primary Credit Score[1]
Purchase, "No Cash-Out," and Limited Cash-Out Refinances				
One-unit Primary Residence and Second Home *(All Purchase transactions or No-Cash Out and Limited Cash-Out Transactions with Loan Amount < $625,500)*	90%	90%	90%	700 > 75% LTV or TLTV 660 < 75% LTV and TLTV
One-unit Primary Residence Loan Amount > $625,500	80%	80%	80%	700 > 75% LTV or TLTV 660 < 75% LTV and TLTV
One-unit Second Home	65%	65%	65%	740
Two-Four-unit Primary Residence	75%	75%	75%	740
Manufactured Housing *(Primary Residence only)* Loan Amount ≤ $625,500	90%	Secondary financing not permitted	Secondary financing not permitted	700 > 75% LTV or TLTV 660 < 75% LTV and TLTV
Manufactured Housing *(Primary Residence only)* Loan Amount > $625,500	80%	Secondary financing not permitted	Secondary financing not permitted	700 > 75% LTV or TLTV 660 < 75% LTV and TLTV
Cash-Out Refinance Mortgages[2]				
One-unit Primary Residence Only	60%	60%	60%	740
Manufactured Housing with a term ≤ 20 years *(Primary Residence only)*	60%	Secondary financing not permitted	Secondary financing not permitted	740

HLB Dividend — an Added Benefit to the MPF Program

On November 9, 2010, the HLB announced a cash dividend for the third quarter of 2010 of 6.50% (annualized) and distributed the return to member stockholders on November 10, 2010. The chart lists the HLB's quarterly dividend history over 3 years.

Members who sell mortgage loans under the MPF Program are required to purchase activity-based HLB stock, which amounts to 4.5% of any new MPF delivery commitment amount issued. MPF Program participants should note that the amount of the cash dividend is an important component to their institution's overall return — an added benefit considering the level of dividends that have been paid versus other earning assets in the market. However, there is no guarantee that the level of future dividends will reflect the level of dividend payouts currently being made.

Quarter Ended	Q1-08	Q2-08	Q3-08	Q4-08
Dividend Rate	7.80%	6.50%	6.50%	3.00%
Quarter Ended	Q1-09	Q2-09	Q3-09	Q4-09
Dividend Rate	5.60%	5.60%	5.60%	5.60%
Quarter Ended	Q1-10	Q2-10	Q3-10	Q4-10
Dividend Rate	4.25%	4.60%	6.50%	TBA

[1] *Borrower must have a valid FICO score.*
[2] *Cash-Out refinance mortgages not eligible if property was purchased within prior six (6) months.*

The information provided by the Federal Home Loan Bank of New York ("HLB") in this communication is set forth for informational purposes only. The information should not be construed as an opinion, recommendation, or solicitation regarding the use of any financial strategy and/or the purchase or sale of any financial instrument. All customers are advised to conduct their own independent due diligence before making any financial decisions. Please note that the past performance of any HLB service or product should not be viewed as a guarantee of future results. Also, the information presented here and/or the services or products provided by the HLB may change at any time without notice.

mpf Mortgage Partnership Finance™ | CONNECTION

A Newsletter Published by the Federal Home Loan Bank of New York (HLB) for Member Community Lenders WINTER 2011

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Upcoming Industry Event:

2011 Regional Conference of MBAs
March 15-17, 2011

Trump Taj Mahal, Atlantic City, NJ
www.mbanj.com/events.cfm

Meet with an MPF representative at the conference! Contact Tom Doyle at (212) 441-6712 to set up an appointment.

Get Connected

National MPF Website:
www.fhlbmpf.com

HLB MPF Website:
www.fhlbny.com/mpf

MPF Representative:
(212) 441-6710 or (212) 441-6712

Calling Officers: (212) 441-6700

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Mortgage Rates are on the Decline. Have You Considered the MPF® Program Lately?

Over the last few years, many mortgage professionals have been saying that mortgage rates cannot go any lower. Needless to say, mortgage rates have moved lower with little indication as to how much lower they will go. Understandably, financial institutions are generally not interested in holding 30-year mortgages at rates below 5% in their mortgage portfolio. Granted, with borrowing costs so low and other investment alternatives providing even lower yields, the returns on these low mortgage rates may seem attractive in comparison. However, the issue continues to be the duration risks that exist with holding low-coupon, 30-year mortgages in portfolio. Those mortgages are probably long-term assets that could see several interest rate cycle changes during their lives.

Thirty-year mortgage rates dropped down into the range of 4.25% to 4.5% in November 2010. However, since November, interest rates on thirty-year mortgages have increased to the point that they are now in the 4.75% to 5.00% range. On Monday, January 10, 2011, the Mortgage Partnership Finance® (MPF®) Program offered pricing on 30-year, fixed-rate mortgages (on a servicing-retained basis) equal to par plus premiums ranging from 104 bps on a 4.75% note to 244 bps on a 5.00% note, based on a 45-business-day commitment. If an approved member took down a 45-day commitment that same day, and subsequently sold a $100,000 loan under the MPF Program to fill that commitment, they would receive a total price of $101,049 on a 4.75% note, or $102,448 on a 5.00% note. The 45-day commitment would allow the member institution to sell a 30-year, fixed-rate mortgage under the MPF Program through March 16, 2011, or 65 calendar days.

The MPF Program is available to HLB members who are approved Participating Financial Institutions (PFIs). Through the MPF Program, PFIs have access to some competitive pricing for mortgage loans. Larger members tell us MPF pricing is competitive with the agencies for loans up to the conforming loan limits, and even better for high-balance loans. Community financial institutions have also said that MPF pricing is better than the pricing they are seeing from the agencies. That makes sense since MPF pricing is the same for large-, medium-, or small-sized PFI members whether they sell a large number of loans or just one or two loans a month under the MPF Program.

For PFIs that originate mortgages in the high-cost areas of New York and New Jersey, MPF pricing is the same for high-balance mortgages as it is for what may be considered conforming mortgages. If your institution is not currently a PFI or has been an inactive PFI, consider taking a look at recent MPF pricing and participating in the program. The HLB's MPF staff will gladly provide you with MPF Program pricing and help get you started.

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The MPF® Program—A Flexible Secondary Mortgage Option

Competitive pricing is just one advantage of participation in the MPF Program. Member PFIs also benefit from being paid a Credit Enhancement (CE) fee for the credit quality of the loans they originate and sell under the MPF Program. CE fees vary between 7 and 10 bps annually of the outstanding loan balance, depending upon the MPF product chosen. Through September 2010, that arrangement has been rewarding for HLB member PFIs. Over the last 11 years that the HLB has offered the MPF Program, there has never been a demand on a member PFI for its share of the credit risk assumed. However, HLB member PFIs have been paid over $11 million in CE fees for keeping a portion of the credit risk of those loans.

Borrowers benefit from a member's participation in the MPF Program as well. Borrowers avoid any loan level price adjustments that they would be charged if the loans were sold to the agencies. In addition, there are no adverse market fees that a lender may have to build into the mortgage rate of the loan. In some situations, not having loan level price adjustments could potentially save a borrower in excess of 300 bps in fees.

The MPF Program does require PFIs to retain a portion of the credit risk of the loans sold. The credit risk is the amount necessary to bring each and every loan up to the equivalent of an AA investment, as determined using a rating agency model. The HLB offers two different products, allowing the PFI to choose the extent of credit risk it is comfortable with. For both products, the HLB establishes a first loss position unique to each product.

With the Original MPF product, the HLB's first loss position builds up over time, equal to 4 bps per year, multiplied by the PFI's outstanding loan balance. The PFI has a second loss position equal to the amount of the credit risk of the loans sold, as determined using the rating agency model. The Original MPF first loss position is expected to cover normal and expected losses. The HLB will be responsible for all losses up to the amount of the Original MPF first loss account. Over the 11-year period that the HLB has offered the Original MPF product, that first loss position has been adequate enough to handle losses incurred so that no PFI has ever been called upon to honor a claim on its own second loss position. Under the Original MPF product, PFIs are paid a 10 bp annual CE fee for taking on its portion of the credit risk of loans sold. The fee is not performance based and is paid no matter what losses are incurred in the first loss account.

With the MPF 125 product, the HLB's first loss position is equal to 100 bps of the total funded amount of loans sold under the MPF 125 master commitment. The PFI has a second loss position equal to the amount of the credit risk of the loans sold, as determined using the rating agency model, less the HLB's first loss position. The product's credit loss structure provides the PFI with a significant amount of protection. The HLB will absorb losses up to the balance of the first loss account, but under this product, the HLB also has the right to be reimbursed for its losses.

Under the MPF 125 product, PFIs are paid a 7 bp annual CE fee for taking on its portion of the credit loss of loans. However, that fee is performance based, which allows the HLB to recoup losses charged to the MPF 125 product's first loss account through future CE fees owed to the PFI. If future fees are insufficient to reimburse the HLB for losses incurred in the first loss account, the HLB absorbs the unreimbursed losses. Losses incurred under this product have been charged to the HLB's first loss account over the last 11 years and the HLB has recovered, or is recovering, those losses from future CE fees owed to the PFIs involved.

The Original MPF product appeals to members who believe their loss expectations will be reflective of normal and expected losses. The MPF 125 product appeals to members that are willing to take on a portion of the credit risk, but prefer to have a significant amount of first loss protection before they would have to honor any claims in their second loss position. Members that use the MPF 125 product believe the loan underwriting confirms that the borrower has the ability to repay the loan, but feel more comfortable with the added protection considering the economic concerns about the ability of any borrower to maintain his or her current employment position.

If you are interested in getting involved in the secondary market, or considering an alternate secondary market outlet, the MPF Program has a lot to offer. The HLB's MPF staff would be happy to explain the program to you in more detail. Please contact Tom Doyle at (212) 441-6712 for more information or to set up an appointment.

FHFA's Maximum Conforming Loan Limits for 2011

On Friday, November 19, 2010, the Federal Housing Finance Agency (FHFA) announced that, under terms set forth in a recently-enacted Congressional continuing resolution (Public Law Number 111-242), the maximum conforming loan limits for mortgages originated in the first nine months of 2011 will remain unchanged from existing 2010 loan limits.

The chart provided lists FHFA's general loan limits for 2011, which is also applies to the MPF Program (limits remain the same as 2010). The high-cost loan limits for mortgage loans originated in 2011, pursuant to the FHFA announcement, are as follows:

- For mortgage loans originated on or before September 30, 2011, loan limits remain unchanged from the 2010 high-cost area loan limits. The maximum limit is $729,750 for a one-unit property in the continental United States.
- For mortgage loans originated after September 30, 2011, revised limits will apply. The maximum limit is $625,500 for a one-unit property in the continental United States.

FHFA Loan Limits *(effective until September 30, 2011)*

Property Units	Contiguous United States, District of Columbia, and Puerto Rico	Alaska, Guam, Hawaii, and the U.S. Virgin Islands
One	$417,000	$625,500
Two	$533,850	$800,775
Three	$645,300	$967,950
Four	$801,950	$1,202,925

High-cost area loan limits are established for each county in the United States and are published in the MPF Origination Guide as Exhibit N. PFIs are responsible for ensuring that the original principal balance of each mortgage loan does not exceed the applicable maximum loan limit for the specific areas in which the property is located. Please refer to the following article for more information regarding High-Balance Mortgage Loans.

High-Balance Mortgage Loans

PFIs that originate loans in the high-cost areas of New York and New Jersey find MPF pricing especially favorable when selling high-balance mortgage loans under the MPF Program. This is because MPF pricing for high-balance loans is the same as pricing for conventional conforming loans. Unlike other secondary market alternatives, the MPF Program doesn't have a different pricing schedule for this type of mortgage loan.

A high-balance mortgage loan is defined as a conventional mortgage where the original loan amount exceeds the conforming loan limits published yearly by the FHFA, but does not exceed the loan limit for the high-cost area in which the mortgaged property is located, as specified by the FHFA. Exhibit N to the MPF Origination Guide contains a listing of all high-cost areas and applicable loan limits.

Nineteen out of 21 counties in New Jersey are considered high-cost areas, with as many as 12 counties allowing loan limits for a one-unit property to have maximum loan amounts of $729,750 (effective for loans delivered through September 30, 2011). New York State has 12 counties that are considered high-cost areas. Of those 12 high-cost counties, 10 counties permit loan limits for a one-unit property to have a maximum loan amount of $729,750 (effective for loans delivered through September 30, 2011). Most of New York's high-cost counties are in and around the metropolitan New York City area. New Jersey and New York counties that are considered to be high-cost areas are listed in the first chart on the reverse, along with their loan limits.

Although these loans are eligible under the MPF Program, there are restrictions on the maximum LTV and TLTV for high-balance mortgage loans, and restrictions involve various aspects of the loan, such as the loan purpose, the primary borrower's credit score, and the type of property. It is important that each PFI selling high-balance mortgage loans under the MPF Program understands these restrictions.

The maximum LTV and TLTV for conventional high-balance mortgage loans delivered to the HLB are also listed in the second chart on the reverse (the TLTV limit includes loans with any HELOC secondary financing).

(CONTINUED ON BACK)

FREE UPCOMING MPF PROGRAM WORKSHOPS. REGISTER TODAY — SPACE IS LIMITED!

2/2: **Credit Report Review Workshop** | *11:00 a.m. EST (1 hour)*
2/7: **Understanding and Reviewing Appraisals** | *10:30 a.m. EST (90 minutes)*
2/9: **Underwriting Workshop** | *10:30 a.m. EST (2 hours)*
2/15: **Determining Best Execution** | *11:30 a.m. EST (30 minutes)*
2/17: **Temporary Loan Payment Modification** | *11:00 a.m. EST (45 minutes)*
2/23: **Investor Reporting** | *3:00 p.m. EST (90 minutes)*
3/3: **MPF Program 101** | *11:00 a.m. EST (1 hour)*
3/7: **Advanced Appraisal Analysis** | *10:30 a.m. EST (1 hour)*
3/8: **Delinquency Management** | *11:00 a.m. EST (90 minutes)*
3/9: **Updated Appraisal Requirements** | *3:00 p.m. EST (1 hour)*
3/10: **Risk/Reward** | *11:00 a.m. EST (1 hour)*
3/14: **Detecting and Avoiding Fraud** | *10:30 a.m. EST (1 hour)*
3/16: **Expedited Refinance** | *3:00 p.m. EST (45 minutes)*
3/22: **MPF Custody Process** | *11:00 a.m. EST (1 hour)*

Visit www.fhlbny.com/news/mpf.htm for more workshop descriptions and additional workshops.

To register for these online workshops, visit www.fhlbny.com/news/mpf.htm and click on the register link next to the workshop for which you would like to register.

For easy access to future MPF Workshops, you can bookmark the MPF Workshop page by clicking on the "+Add to Favorites" link.

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