

Federal Home Loan Bank of Chicago
Telephone Conference with Federal Reserve Staff on April 1, 2008
Regulation Z (Truth in Lending)
Docket Number R-1305

On April 1, 2008, Ms. Sybil Malinowski, Assistant General Counsel of the Federal Home Loan Bank of Chicago (FHLB-Chicago), and Mr. Jeremiah Buckley, outside counsel to same, spoke by telephone with staff of the Board's Division of Consumer and Community Affairs to provide comments on the recently proposed amendments to Regulation Z to protect consumers in the mortgage market from unfair, abusive, or deceptive practices. They expressed concern over the applicability to one of FHLB-Chicago's programs of the proposal's provision relating to creditor payments to mortgage brokers.

FHLB-Chicago has a "Mortgage Partnership Finance" (MPF) program, which its representatives described as follows: FHLB-Chicago acts as an investor for mortgage loans under MPF, which is open only to FDIC-insured institutions. The originating institution receives a fee from FHLB-Chicago in return for permanently sharing in the credit risk of the loan. Under one variation of the program, known as "MPF 100," FHLB-Chicago table funds each loan. That is, the institution does not fund the loan; rather, the institution closes the loan in its name but with funding supplied directly by FHLB-Chicago.

Ms. Malinowski and Mr. Buckley indicated that the proposal appears to treat an institution making use of the MPF 100 program as a mortgage broker and would subject the institution to the requirement of a pre-application agreement with consumers setting forth the amount of the fee it would receive. They stated their belief that the MPF 100 program is not within the scope of the problem the proposal is intended to address. They recommended that the Board modify the rule so that it would not apply to scenarios such as the MPF 100 program. They also indicated that FHLB-Chicago would advocate such modifications in greater detail in a written comment letter.