

Mortgage Partnership Finance (MPF®) Habitat for Humanity® Program Frequently Asked Questions for Habitat Affiliates – Updated 4/8/26

The Federal Home Loan Bank of Chicago (FHLBank Chicago), in partnership with Chicagoland Habitat for Humanity, and Habitat for Humanity Wisconsin, has launched the Mortgage Partnership Finance® (MPF®) Habitat for Humanity® Program, designed to help FHLBank member financial institutions partner with Habitat for Humanity affiliates in Illinois and Wisconsin to deliver below-market mortgage financing with expanded underwriting flexibility to Habitat homebuyers.

These FAQs will be updated as affiliate questions arise, and Chicagoland HFH and Habitat Wisconsin staff are available to meet with affiliates regarding the program.

Who can I contact for more information or to schedule a meeting about the program?

Illinois affiliates can contact Dru Bergman, Director of Financing & Government Grants, Chicagoland Habitat for Humanity - dru.bergman@chicagolandhabitat.org.

Wisconsin affiliates can contact Peter Lewandowski, CEO, Habitat for Humanity Wisconsin - plewandowski@habitatwisconsin.org.

Where can I find the program guidelines?

A Product Features sheet is attached to this document.

Is this program strictly for new mortgages or can existing mortgages be converted to this program as well?

This program is only for new mortgages originated by members of the FHLBank Chicago who are Participating Financial Institutions (PFIs) in the MPF program.

When is the interest rate reset?

The FHLBank Chicago may reset the program interest rate on the first business day of each month or with significant market movement. They will notify PFIs, Chicagoland Habitat for Humanity, and Habitat Wisconsin of any rate changes.

Do affiliates need to reserve funds?

No. Affiliates will provide referrals for borrowers to PFIs, who will execute a delivery commitment with the FHLBank Chicago. We recommend you start conversations early with PFIs about your anticipated pipeline for the coming year so they can start planning for your borrowers' anticipated needs.

How do I find a Participating Financial Institution?

If you have a relationship with a FHLBank Chicago member, start by talking with them. If you do not work with any FHLBank members (<https://www.fhlbc.com/about-us/member-directory>), Illinois affiliates can contact Dru Bergman (dru.bergman@chicagolandhabitat.org), and Wisconsin affiliates can contact Peter

Lewandowski (plewandowski@habitatwisconsin.org) for help connecting with a PFI in your area.

At what stage in the process should I refer a borrower to a PFI?

You can refer a borrower to a PFI for a preapproval before you have a sales contract with the buyer to determine the mortgage amount they can qualify to borrow. One affiliate who works successfully with third-party lenders refers borrowers for preapprovals 90 to 120 days prior to their anticipated closing date.

Our affiliate has not done third-party lending before. Is guidance available on how to communicate with partner families about third-party financing options?

Affiliates should use the term “affordable mortgage” in communications about mortgage financing, rather than referencing specific mortgage rates or other features. HFHI provides guidance on third-party lending in HFHI Policy 29: Consumer Mortgages Offered by Third-Party Lenders (Exhibit C), and the Affiliate Operations Manual: Homeowner Selection, found on MyHabitat. Affiliates will want to review policies, procedures, and communications materials related to mortgage financing for any needed updates.

You indicated that the FHLBank Chicago’s 2026 commitment of \$2.5 million for the interest rate subsidies will translate to approximately 150 mortgages. Do you expect the opportunities will fill up quickly?

We are contacting affiliates now regarding their 2026 plans in order to estimate program volume. The FHLBank Chicago will notify Habitat at benchmarks of 50%, 75%, and 100% of program usage.

Does our affiliate still need a Qualified Loan Originator (QLO) if we move to third-party lending?

Yes, per HFHI, affiliates using third-party lenders still must have a QLO.

Are PFIs limited in the number or dollar amount of mortgages they can originate under the program?

Yes, PFIs can access the program on a first-come, first-serve basis, with an initial member limit of \$1 million in unpaid principal balance. The program is supported by \$2.5 million in interest rate subsidies that is expected to support \$20-25 million in unpaid principal balance.

Is the member limit for calendar year 2026, and if the program is renewed in 2027, does it reset?

Yes, the limit is for calendar year 2026, and if the program is renewed in 2027, it would reset.

Can we use the FHLBank Chicago Downpayment Assistance Program grants with this program?

Yes, the downpayment assistance grants, if available, can be used with this program. Please note that since these loans are originated by the PFI, they can be combined with

grants from Downpayment Plus[®], rather than the Downpayment Plus Advantage[®] Program.

For Illinois affiliates, can we use the Habitat Illinois Building Impact (HIBI) downpayment assistance program with this program?

Yes, HIBI grants, if available, can be used with this program. Please be aware that there are some differences in underwriting criteria between the HIBI and MPF-HFH programs, most notably regarding debt ratios, although we are working with IHDA to better align HIBI with MPF-HFH. Please contact dru.bergman@chicagolandhabitat.org if you have specific questions.

Are we permitted to originate a soft second mortgage if needed to ensure that the borrower's monthly payment does not exceed 30% of gross monthly income?

Yes, the program can be used in conjunction with a soft second mortgage originated by the Habitat affiliate. To be excluded from the CLTV when delivering the loan to MPF the Habitat second must:

- be forgivable over time
- have no payments required and
- only become due upon sale, transfer, or default of the subject property
- NOTE: CLTV exclusion applies ONLY to MPF Program eligibility and credit enhancement calculation.

We receive HOME federal block grant funds from our county (or city) for development costs. Does this affect our use of third-party lenders?

Affiliates should review their funding agreement and consult with the awarding jurisdiction to confirm if HOME program income generated by the third-party mortgage proceeds must be repaid to the awarding jurisdiction or can be retained by the affiliate to build more affordable homes. Subordinate mortgages required by awarding jurisdictions should meet the same requirements as listed for Habitat soft second mortgages in order to be excluded from the CLTV, subject to MPF Program requirements.

If a PFI secures a delivery commitment near the end of 2026 (assuming the program cap has not been reached), can the closing take place in 2027?

Yes, commitments secured toward the end of 2026 can be closed in early 2027, per the terms of the commitment.

What is the typical long-term loss of not having the standard 20- to 30-year payments over time?

Please contact dru.bergman@chicagolandhabitat.org to discuss specific financing scenarios and analyze the impact for your affiliate.

Will support be available for programmatic changes (policy templates, best practices) for affiliates moving to third-party lending?

Chicagoland Habitat for Humanity and Habitat Wisconsin staff will be available to answer questions, access resources, and develop resources as appropriate.

What happens if a homeowner falls behind on their mortgage payments? We are concerned that if our affiliate no longer holds the mortgage, we will lose the flexibility to assist borrowers facing hardship.

The MPF program has a loss mitigation protocol to address default situations. Affiliates also should discuss with PFIs the extent to which the PFI is legally able to share loan performance information with the affiliate to facilitate early intervention. Affiliates who are no longer holding/servicing mortgages in-house can still maintain general communication with homeowners to encourage them to seek help (such as HUD-certified housing counseling) if they are experiencing financial difficulties, and they can explore options such as creating a homeowner assistance fund.

EXHIBIT A: MPF® Habitat for Humanity® Program

Product Features

	MPF® Habitat for Humanity® Program
Mortgage Originator	FHLBC member financial institution that is also a Participating Financial Institution (PFI) in Mortgage Partnership Finance Program
First Mortgage Type	Fixed rate, fully amortizing mortgage for new Habitat home purchase; borrowers refinancing a home previously purchased from IL or WI Habitat affiliate are NOT eligible
First Mortgage Term	Rate reduction only offered on 30-year commitments.
First Mortgage Interest Rate	Approximately 250 bps (2.5 percentage points) below prevailing market rate supported by FHLBC grant funds. Rate reset on the first business day of each month or with significant market movement (can move in 12.5 bps increments)
Rate Lock	Commitment lock terms ranging from 5-60 days
Rate Commitment Extensions	Commitments can be extended 30 days beyond initial commitment term
Minimum Borrower Downpayment	Not required; all downpayment funds can come from a grant or eligible gifts
LTV	95% on first mortgage
CLTV	105% with community seconds; closing costs can be rolled into subordinate financing
Downpayment/Closing Cost Assistance	Permitted from federal, state, county or local government, state housing finance agency, or nonprofit organization; can use with FHLBC DPP
Habitat Subordinate Mortgage	<p>(1) Must meet requirements of Chapter 2.6.6 and applicable subchapters of MPF Guides (normal subordinate financing requirements)</p> <p>- OR (2) to be excluded from CLTV when delivering the loan to MPF the Habitat second must:</p> <ul style="list-style-type: none"> • be provided by an affiliate of Habitat for Humanity Illinois/Wisconsin • be forgivable over time • have no payments required and • only become due upon sale, transfer or default of the subject property • CLTV exclusion applies ONLY to MPF Program eligibility and credit enhancement calculation
Housing Payment Ratio	Only total debt ratio specified
Maximum Total Debt Ratio	43%
Tax & Insurance Escrows	Will escrow for taxes and insurance
Private Mortgage Insurance	Required for first mortgages with LTV > 90%.
Borrower Reserve Requirements	Reserve requirements for loans where MI is required, MPF follows MI reserve requirements. When MI is not required, the lender is to determine level of reserves required based on overall risk profile or follow AUS findings.

Income	
Frequent Job Changes	Individuals who change jobs frequently, but who are able to earn consistent, predictable income, are considered to have a reliable flow of income for qualifying purposes
Secondary Employment	Minimum history of 2 yrs is recommended, but 12 months or more may be accepted if there are positive offsetting factors
Variable Income	2+ yrs of receipt of a particular type of variable income recommended; however, 12 to 24 months may be considered as acceptable w/compensating factors
Income with Defined Expiration	Must document 3-year continuance for <ul style="list-style-type: none"> • alimony, child support, or separate maintenance • distributions from a retirement account – for example, 401(k), IRA, SEP, Keogh • public assistance (not including Sec 8 Housing Choice Voucher Homeownership pmts) • Social Security (not including retirement or long-term disability) • VA benefits (not including retirement or long-term disability)
Child support	Must be documented in divorce decree, separation agreement, or other written legal agreement; must show minimum 6 months consistent, full payments & be expected to continue for 3 yrs
Self-employment	2 yrs tax returns (personal and business, if applicable); must show at least 1 full year of income from business
Boarder Income	Boarder income can be eligible qualifying income with 6 months of documented receipt
Minimum Credit Score	580
Derogatory Credit Events	
Chapter 7 or 11 Bankruptcy	4-yr waiting period; 2 yrs with extenuating circumstances
Chapter 13 Bankruptcy	2-yr waiting period with discharge; 4-yrs with dismissal; 2 yrs with dismissal with extenuating circumstances
Multiple Bankruptcies	5-yr waiting period if more than 1 filing in past 7 yrs; 3 yrs from most recent discharge or dismissal with extenuating circumstances
Foreclosure	7-yr waiting period; 3 yrs with extenuating circumstances
Deed-in-Lieu or Preforeclosure/Short Sale	4-yr waiting period; 2 yrs with extenuating circumstances
Liens & Judgments	Must be paid off at or prior to closing
Collections (non-medical) & Charge-offs (non-mortgage)	Have to be paid off at or prior to closing unless the balance of an individual account is < \$250 or the total balance of all accounts is \$1,000 or less
No Credit Score/Documenting Nontraditional Credit	Must check all 3 major credit repositories to verify borrower's credit history & confirm borrower does not have a credit score. Must provide 4 documented nontraditional sources (MPF provides details of how to document) and max DTI is lowered to 36%
Debt Calculations	

Credit card (revolving credit)	Stated payment or 5% of outstanding balance if no stated payment
Installment debt	Stated payment (if >10 payments left)
Federal Income Tax Installment Agreements	When borrower has installment agreement with IRS to repay delinquent federal income taxes, lender may include monthly payment in of the borrower's monthly debt obligations (in lieu of requiring payment in full) if there is no indication that a Notice of Federal Tax Lien has been filed against the borrower in the county in which the subject property is located
Medical debt	Stated payment (if >10 payments left)
Student loans	Stated payment on credit report or on student loan statement. If monthly payment not listed, lender must determine payment as follows: <ul style="list-style-type: none"> • If borrower has income-driven payment plan and provides loan documentation to verify that actual payment is \$0, lender can qualify borrower with \$0 payment • If loan is deferred or in forbearance, lender can use 1% of outstanding balance (even if this amount is lower than actual fully amortizing payment)
Alimony or child support	When required under divorce decree, separation agreement, or any other written legal agreement, must use stated amount (if >10 payments left)
401(k) loan	Not counted
Lease payments	Stated payment, regardless of remaining term
Co-signed loans	Borrower must provide 12 consecutive months of documentation that other party is paying obligation on time (i.e., check copies).
Garnishments	Stated amount (if >10 payments left)
Deferred installment loans (other than student loans)	Must be included in monthly debt obligations; if credit report does not list monthly amount that will be payable at the end of deferment period, borrower must provide payment letters or forbearance agreements so that lender can determine a monthly payment amount
Servicing	Serviced by lender or lender's contracted servicing agent
Delinquency/Default	Follows MPF protocol for loss mitigation efforts; Habitat affiliates can work with PFIs to establish loan performance and delinquency communications
Loan Repurchase	PFIs may request repurchase of non-performing loans; an approval to repurchase is at the discretion of the FHLBank

Guides reviewed as of 2/20/2026. Lenders and Affiliates should confirm current eligibility requirements by reviewing MPF Traditional Product Guidelines and MPF Habitat for Humanity Program Underwriting Exhibits.

EXHIBIT B: Definitions

Combined Loan-to-Value (CLTV): The ratio of the total debt secured by a property relative to its appraised value. For example, for a house appraised at \$100,000 that has a first mortgage of \$50,000 and a second mortgage of \$25,000, the CLTV is 75%.

Federal Home Loan Banks (FHLBanks): Eleven regionally based, wholesale suppliers of lendable funds to financial institutions of all sizes and many types, including community banks, credit unions, commercial and savings banks, insurance companies and community development financial institutions. The FHLBanks are cooperatively owned by member financial institutions in all 50 states and U.S. territories. The steady supply of lendable funds from FHLBanks helps U.S. lenders invest in local needs including housing, jobs and economic growth. The FHLBank Chicago's service area is the Seventh District, covering Illinois and Wisconsin.

Loan-to-Value (LTV): The ratio of a debt secured by a property relative to its appraised value. For example, for a house appraised at \$100,000 that has a first mortgage of \$95,000, the LTV is 95%.

Mortgage Partnership Finance (MPF®) Program: Federal Home Loan Bank of Chicago program that provides their members with competitive secondary market options through a selection of mortgage product offerings.

Participating Financial Institutions (PFIs): Members of the FHLBank Chicago who participate in the Mortgage Partnership Finance Program. Not all FHLBank Chicago members are PFIs.

Preapproval: A formal process where a mortgage lender verifies documentation (pay stubs, tax returns) and performs a hard credit check to conditionally commit to a specific loan amount.

Prequalification: A quick, often unverified estimate of the amount a potential home buyer can borrow based on self-reported financial data.

Private Mortgage Insurance (PMI): Insurance that is paid for by the borrower and protects the mortgage lender in case the borrower defaults on their mortgage payments. Lenders typically require PMI for borrowers whose LTV exceeds 80% of the purchase price of the home. The MPF-HFH program requires PMI if the LTV of the first mortgage exceeds 90% of the purchase price.

Secondary Mortgage Market: A financial marketplace where home loans (mortgages) and their servicing rights are bought and sold between lenders and investors. Fannie Mae and Freddie Mac are two of the most widely recognized purchasers of home mortgage loans. The secondary market enables mortgage lenders to recycle funds more quickly to originate additional mortgages, as opposed to holding loans on their balance sheets and recouping their funds over time through monthly mortgage payments from borrowers.

Policy 29: Consumer Mortgages Offered by Third-Party Lenders

Adopted: January 2010

Revised: January 2016, July 2023

1.0 Purpose

The purpose of this policy is to confirm that affiliates are not required to offer in-house lending and may recommend third-party lenders. However, affiliates must establish criteria for determining that any recommendations are made in compliance with applicable law and that the financing is responsible and affordable to the Habitat homebuyer.

2.0 Policy

Selling a home when the consumer uses third-party lending is permissible. Affiliates may recommend but may not require a specific third-party lender. Habitat affiliates must use reasonable efforts to determine that the mortgage used to purchase a Habitat home is a responsible loan product and is affordable to the homebuyer in the same manner as if the loan were originated by the affiliate. Guidelines for determining whether options are responsible are provided in Addendum A to this policy.

As outlined in [Policy 23](#), it is the affiliate's responsibility to maintain awareness of all laws applicable to its interactions with homebuyers pertaining to consumer mortgage finance and their interactions with third-party lenders.

Addendum A may be amended from time to time by Habitat for Humanity International, which will announce any such amendment in a timely manner.

3.0 Rationale

If Habitat homebuyers use mortgage options offered by third-party lenders, the Habitat affiliate will receive cash from the home sale at closing and will be able to immediately reinvest those funds into the affiliate's operations, potentially enabling the affiliate to increase production. However, if the mortgage used by a Habitat homebuyer is not a responsible product that is affordable to the homebuyer, the homebuyer's ability to make monthly mortgage payments and sustain homeownership will be at risk. This policy establishes requirements for affiliates when mortgage loan products offered by third-party lenders will be used to fund the purchase of a Habitat home in order to minimize any such risk.

Supporting resources

- [Consumer Mortgages Offered by Third-Party Lenders, Addendum A](#)
- Third-Party Consumer Mortgage Readiness Guide (currently under revision)

Addendum A: Consumer Mortgages Offered by Third-Party Lenders

Adopted: January 2010

Revised: January 2016, July 2023

This Addendum A is attached to and made a part of Policy 29 of the U.S. Affiliated Organization Policy Handbook. It is intended only to apply to Habitat home sales where a mortgage is originated by a third-party lender.

1. **Definitions.** As used in this addendum,
 - A. "Third-party lender" means a lender other than the Habitat affiliate.
 - B. "Mortgage loan product" means a consumer mortgage finance loan option designed for the purchase of an owner-occupied home.
2. **"Responsible" third-party lenders and mortgage loan products.** When the Habitat affiliate will not be originating the first mortgage loan for the Habitat homebuyer, the affiliate may recommend to the homebuyer only third-party lenders and mortgage loan products that the affiliate has reasonably determined to be "responsible." While the affiliate may recommend mortgage lenders to a homebuyer, subject to applicable law, the affiliate may not require a homebuyer to obtain a loan from any particular mortgage lender.
 - A. A "responsible" third-party lender is a lender that is registered or licensed in the affiliate's service area (as verified on nmlsconsumeraccess.org), and meets both of the following criteria:
 - i. Offers mortgage loan products that are conducive to sustained homeownership for first-time homeowners.
 - ii. Generally engages in responsible consumer lending practices, as reasonably determined by the Habitat affiliate.
 - B. A "responsible" mortgage loan product is a loan product that is conducive to sustained homeownership for first-time homeowners. Factors to be taken into account include:
 - i. Amortization — The loan should be a fixed-rate, fully-amortizing loan with a reasonable repayment period.
 - ii. Certain prohibited terms — The loan should not include any of the following features:
 - a. Interest-only: The borrower pays only the interest due without paying down the principal amount borrowed.
 - b. Negative amortization: A payment schedule that could allow the amount of loan principal owed to increase over time, even when the borrower is making payments.
 - c. Balloon payments: Larger-than-usual payments at the end of a loan term.
 - iii. Funders and guarantors — Mortgage loan products funded, insured or guaranteed through Fannie Mae, Freddie Mac, the Federal Housing Administration, the U.S. Department of Veterans Affairs or the U.S. Department of Agriculture may contain mortgage characteristics that are likely to support sustained homeownership.
3. **USDA loan products.** Many affiliates refer consumers to the United States Department of Agriculture as a mortgage lender. USDA offers financing options for home purchases and repairs in eligible USDA areas for eligible low-to-moderate income consumers. USDA is considered to be a "responsible third-party lender," and USDA consumer loan products, including loans made under the USDA 502 direct loan program and the USDA 504 repair loan programs, are considered to be "responsible loan products."
4. **Predefined loan criteria and closing requirements.**
 - A. As a condition to completing eligibility for the affiliate's home purchase program, Habitat for Humanity International recommends that affiliates require Habitat homebuyers to obtain financing that meets predefined criteria and to include all additional closing requirements that arise from the use of a third-party lender. Habitat for Humanity International encourages affiliates to document their predefined criteria and additional closing requirements in program participation application materials, the program participation letter of acceptance, the homebuyer purchase contract, and/or the down payment assistance agreement.
 - B. Habitat for Humanity International recommends the following requirements for predefined criteria, as appropriate:
 - i. Amortization — The loan should be a fixed-rate, fully-amortizing loan with a reasonable repayment period.
 - ii. Certain prohibited terms — The loan should not include any of the following features:
 - a. Interest-only: The borrower pays only the interest due without paying down the principal amount borrowed.
 - b. Negative amortization: A payment schedule that could allow the amount of loan principal owed to increase over time, even when the borrower is making payments.

- c. Balloon payments: Larger-than-usual payments at the end of a loan term.
 - iii. The minimum amount of first mortgage financing required to close on the purchase of the home, as determined by the affiliate.
 - C. Habitat for Humanity International recommends the following additional closing requirements:
 - i. Final review of financial eligibility — Within 10 days prior to closing, the affiliate will conduct a final review of the Habitat homebuyer's financial eligibility, independent from the homebuyer's mortgage lender, to ensure all eligibility requirements of the affiliate's program, including required debt-to-income ratios, remain satisfied.
 - ii. Buyer's/borrower's closing disclosure — Prior to closing, and with ample time for affiliate's review, the homebuyer must share a copy of the final buyer's/borrower's closing disclosure with the affiliate.
5. **Compliance with applicable laws.** Affiliates must conduct any activities related to the financing of the sale of a Habitat home in compliance with all applicable federal, state and local laws and regulations, both substantive and as relates to licensing, including without limitation:
- A. RESPA — Real Estate Settlement Procedures Act
 - B. TILA — Truth in Lending Act
 - C. ECOA — Equal Credit Opportunity Act
 - D. Fair Housing Act
 - E. SAFE Act

For example, before recommending consumers work with any third-party lender or USDA-certified packager, affiliates must ensure that any such recommendations are made in compliance with the requirements of RESPA.