



**FHLBank**  
Chicago



## WHITE PAPER FROM THE **SOLUTIONS DESK**

# A Strategic Framework for Pairing the MPF<sup>®</sup> Habitat for Humanity<sup>®</sup> Program with Other FHLBank Chicago Products and Programs

March 2026

### Key Takeaways

- The Mortgage Partnership Finance<sup>®</sup> (MPF<sup>®</sup>) Habitat for Humanity<sup>®</sup> Program (MPF Habitat Program) is a secondary mortgage initiative supporting Habitat for Humanity<sup>®</sup> (Habitat) affiliates. The program advances affordable housing by providing an approximately 250 basis point (bps) borrower interest rate buydown on mortgages originated by Federal Home Loan Bank of Chicago (FHLBank Chicago) members approved to participate in the MPF Program, known as participating financial institutions (PFIs).
- PFIs originate and deliver MPF Habitat Program loans through existing MPF processes; the process is made simple by offering a single below market note rate at an attractive price of \$101 and caps activity at \$1 million in unpaid principal balance (UPB) delivered per PFI.
- The program improves affordability for Habitat borrowers and increases flexibility for Habitat affiliates by supporting faster capital recycling and expanded affordable housing production, while PFIs create potential opportunities to earn Community Reinvestment Act (CRA) credit.\*
- PFIs can further maximize their benefit by pairing the MPF Habitat Program with FHLBank Chicago's Downpayment Plus<sup>®</sup> (DPP<sup>®</sup>) and/or Community Advance offerings.

### Opportunity

FHLBank Chicago continues to advance its commitment to strengthening affordable homeownership opportunities throughout Illinois and Wisconsin. On March 6, 2026, FHLBank Chicago introduced the MPF Habitat Program, delivering a standardized mortgage financing alternative for Habitat affiliates and a new secondary mortgage channel for PFIs. If you are a member of FHLBank Chicago and are interested in becoming a PFI, please contact your sales director for more information. The program offers below-market mortgage rates, through an interest rate buydown, enhancing borrower affordability and accelerating the Habitat home

\* Please consult your institution's CRA compliance specialist to determine CRA eligibility.

construction cycle - ultimately increasing the supply of homes for families earning at or below moderate-income thresholds.

This paper outlines the structure and benefits of the MPF Habitat Program, examines the environment in which Habitat affiliates carry out their activities, and illustrates how PFIs can maximize program value by pairing the MPF Habitat Program's offering with FHLBank Chicago's Community Advance product and DPP programs. Together, these offerings form a cohesive approach to expanding affordable housing opportunities while supporting liquidity needs, potentially advancing CRA objectives, and deepening partnerships between PFIs and nonprofit housing providers.

## Habitat for Humanity: Mission, Model, and Market Challenges

Habitat is a longstanding community-based organization dedicated to building and improving homes for families in need of safe, stable, and affordable housing. Local Habitat affiliates engage volunteers, raise funds, select partner families, and manage construction and repair activities. There are 62 Habitat affiliates across Illinois and Wisconsin that continue to deliver affordable housing tailored to the needs of their local communities.

Most affiliates follow a traditional "fund-build-deliver" model in which they must secure project funds before beginning construction, complete the home once capital is available, and then deliver a mortgage with monthly payments generally capped at thirty percent of household income. Many affiliates originate zero percent interest mortgages and hold them in portfolio, a structure that preserves deep affordability for homebuyers but limits the affiliate's ability to recycle capital quickly. To broaden impact, many affiliates now pair a market rate first mortgage with a forgivable Habitat second mortgage that fills the affordability gap between what the borrower can sustain and the total value of the home, creating a sustainable structure that bring new families into homeownership.

Affordability pressures continue to intensify. Elevated mortgage rates make it difficult for borrowers earning at or below 80% of area median income (AMI) to qualify for conventional financing; while rising homeowners' insurance, property taxes, and sharply increasing construction costs, including land, labor, and materials, further constrain affordability. Limited secondary market outlets for Habitat originated loans compound these challenges, restricting liquidity and making it difficult for affiliates to scale production to meet growing community needs.

## The MPF Habitat for Humanity Program

The MPF Habitat Program creates a consistent and affordable financing model for Habitat borrowers by enabling PFIs to deliver loans with significantly reduced interest rates. Habitat affiliates in Illinois and Wisconsin identify an eligible low- to moderate-income (LMI) homebuyer and provide information on the MPF Habitat Program to the homebuyer. Once borrower information is collected, the PFI underwrites and originates the loan and delivers it to the MPF Program, where an interest rate buydown of approximately 250 bps below market is applied. The PFI then locks in a delivery price of \$101, inclusive of the 250 bps rate buydown. The MPF Habitat Program mortgage rate is assessed on the first business day of each month, or as warranted by notable market movement. Delivery commitments can be made under MPF Original, 125, and 35 (collectively, the MPF Traditional conventional products) and may be executed throughout 2026 or until voluntary program funds are exhausted. PFIs access MPF Habitat Program pricing through the standard MPF Program delivery process by selecting the Habitat Rate Reduction Subproduct Code.

To participate, PFIs must be approved to deliver MPF Habitat Program loans, create or have an existing servicing-retained master commitment (MC), and execute and return an MC amendment outlining the program parameters and capacity limits. Please note that the subsidy is available on a first come, first served basis.

**Program capacity is governed by the following limits:**

- Total rate buydown subsidy: \$2.5 million
- Total funded unpaid principal balance (UPB) supported: approximately \$20 to \$25 million
- Per-PFI UPB cap: \$1 million

**Loans delivered through the program must meet the following product parameters:**

- Fixed 30-year loan term
- Conventional conforming loan amounts (no high-balance loans permitted)
- Retail origination only (third-party originations not permitted)
- Owner-occupied primary residence
- Purchase transaction

**Broader eligibility and underwriting flexibility include:**

- Minimum 580 FICO® score
- No mortgage insurance required up to a 90% loan-to-value (LTV) ratio
- Ability to continue delivering at market rate after buydown funds are exhausted

## Community Reinvestment Act (CRA) Considerations

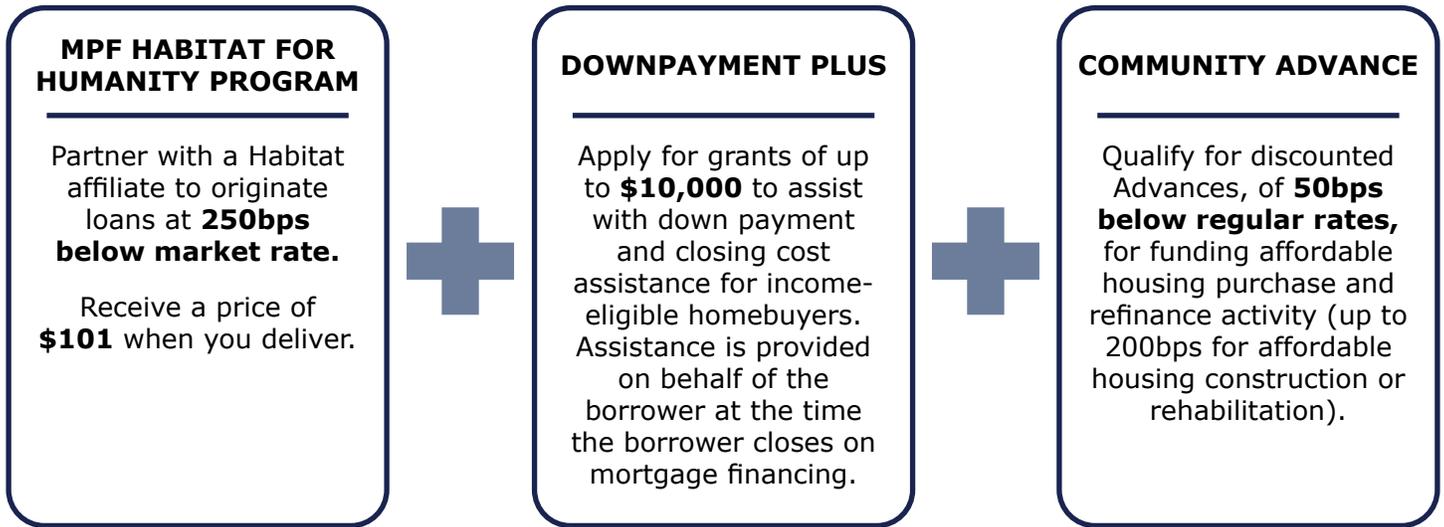
CRA credit may be available for participation in the MPF Habitat Program. CRA requirements that members are subject to may align with the MPF Habitat Program, including lending to LMI households and reinforcing partnerships with established nonprofit housing providers. Every loan delivered through the program is to a borrower earning at or below 80% of the AMI, potentially qualifying the origination as an LMI mortgage under the CRA Lending Test.

Additional CRA benefits may be available when the MPF Habitat Program is paired with DPP grants or Community Advances. PFIs should consult their institution's CRA compliance specialist to determine CRA eligibility.

## Downpayment Plus® and Community Advance Pairing Potential

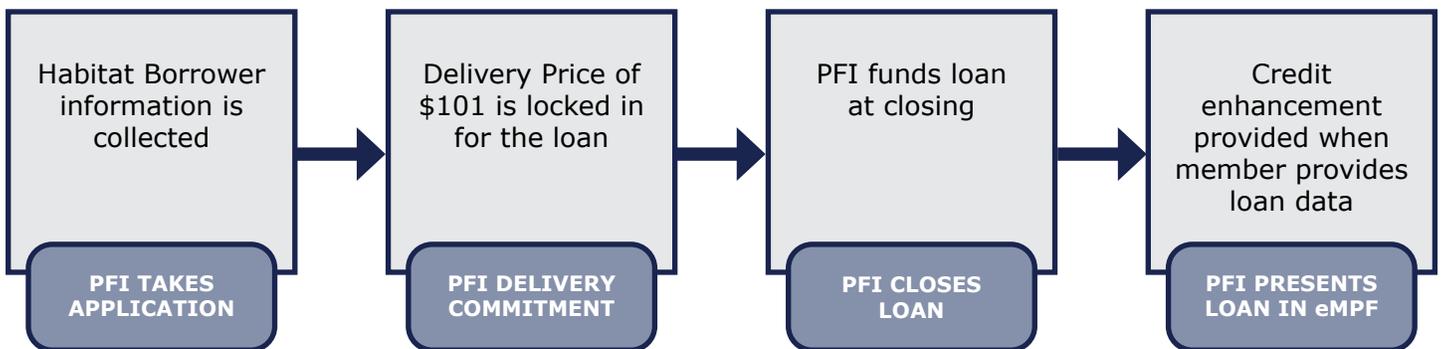
The DPP program provides forgivable grants to income-eligible homebuyers for down payment and closing cost assistance. PFIs act as a pass-through for these funds on behalf of FHLBank Chicago, offering a maximum grant amount the lesser of \$10,000 or 25% of the first mortgage amount. To be eligible, borrowers must have a household income at or below 80% AMI, contribute a minimum of \$1,000 toward the purchase transaction, and complete homebuyer education and counseling before closing. Since all Habitat partner families fall within this income range, DPP aligns naturally with MPF Habitat Program loans and supports long-term affordable homeownership opportunities. The grant disbursement may also lower borrower LTV and may help reduce credit risk associated with the loan origination. DPP fund reservations are available on a first come, first served basis while funds remain available.

Community Advances offer members discounted funding, up to 200 bps below regular advance rates, to support qualifying affordable housing and economic development activities. Eligible affordable housing loans originated under the MPF Habitat Program can qualify for a discount of 50 bps. Eligible transactions include mortgage lending to borrowers with incomes up to 115% of AMI that close or settle within 90 days prior to advance execution. While not required to match funds, qualifying with a Habitat-affiliated mortgage may help reduce its overall cost of funds. Together, these programs offer broad mission-aligned options to improve liquidity, enhance long-term affordability for homebuyers, and deepen the community development impact made possible through Habitat partnerships.



## MPF Habitat for Humanity Pairing Examples

The delivery process for the MPF Habitat Program follows the same steps as other MPF Traditional loans:



In addition to receiving a premium delivery price with no loan-level price adjustments, the PFI also earns credit enhancement (CE) income and dividend benefit through the MPF credit risk sharing structure. CE and collateral obligations are consistent with the broader MPF Program and are calculated at the MC level. With MPF Habitat Program loans delivered alongside broader MPF production, a limited volume of MPF Habitat Program loans can be absorbed within a larger MC with minimal impact on overall CE requirements. The example on the following page illustrates how these components combine to produce a favorable execution outcome compared to a standard correspondent delivery.

## MPF Habitat Pricing Delivery Comparison

Mortgage Term: 30-Year Fixed | First Mortgage Amount: \$200,000 | Market Rate: 6.25% | Homebuyer Rate: 3.75%

|  | MPF HABITAT FOR HUMANITY PROGRAM | CORRESPONDENT |
|--|----------------------------------|---------------|
| Market Mortgage Rate                       | 6.250%                           | 6.250%        |
| Habitat Mortgage Rate                      | 3.750%                           | 6.250%        |
| Base Price (30yr \$200k <sup>1</sup> )     | 101.00                           | 101.84        |
| Loan Level Price Adjustments               | 0.00                             | 2.625         |
| Credit Loss Exposure                       | (~2 bps)                         | 0.00          |
| Credit Enhancement Obligation <sup>2</sup> | 10.0%                            | 0.0%          |
| CE Income Value <sup>3</sup>               | 0.70                             | 0.00          |
| Dividend Income Value <sup>4</sup>         | 0.70                             | 0.00          |
| Total Execution                            | 102.380                          | 99.215        |
| Total Gain on Sale                         | \$4,760                          | -\$1,570      |

Borrower doesn't receive a discounted mortgage rate

A difference of \$6,330!

<sup>1</sup> The funding transaction will include the base amount and the MPF Habitat for Humanity subsidized funding adjustment. In this example for a \$200,000 loan, the base amount would be \$174,000 (market price of 88.00) and the funding adjustment would be \$26,000 (combined, equals 101.00).

<sup>2</sup> A handful of high CE loans in an average to large sized MC is expected to have minimal impact on overall CE requirement. e.g., if \$1M Habitat loans with CE of 10% go into a \$50MM MC and the non-Habitat loans have an average CE of 3%, overall CE for the MC increases by 5% from 3.00% to 3.14% of the funded amount.

<sup>3</sup> Credit Loss Exposure and CE Income assumes member funds under the MPF Original product and the Habitat loan has a duration of 7 years.

<sup>4</sup> Based on B1 Dividend rate of 9.25%. Any future dividend payments remain subject to determination and declaration by our Board of Directors. Assumes fixed dividend payouts over the term of the loan (7 Years).

Credit loss exposure varies based on the applicable MPF Program product, First Loss Account, and loan credit quality.

## DPP Pairing Benefits

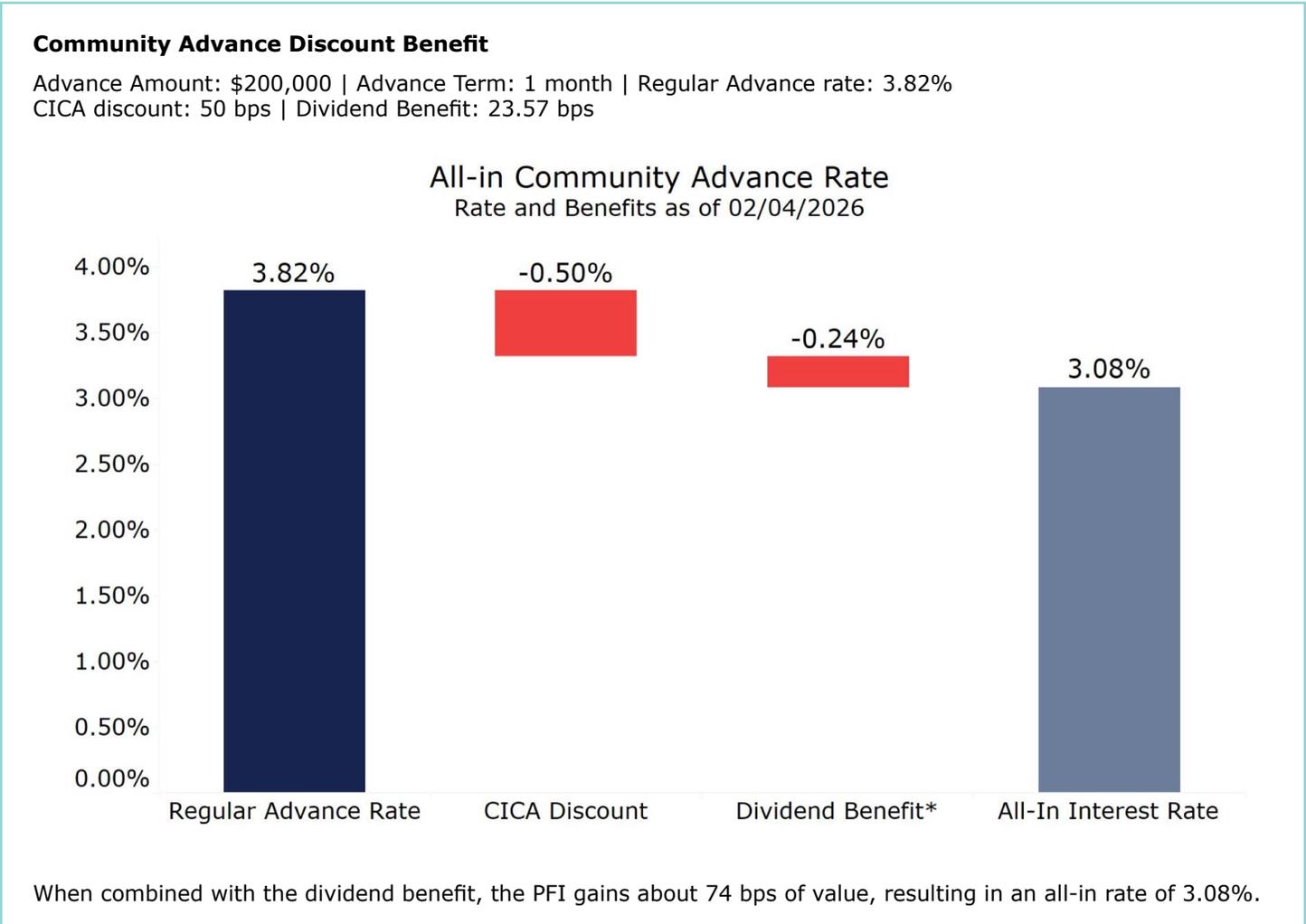
Based on the mortgage terms described above, PFIs can maximize their value by pairing the MPF Habitat Program with DPP and/or Community Advances. With DPP, a homebuyer can get an additional \$10,000 grant toward their down payment, lowering the overall LTV of the loan.

|                        | With DPP      | Without DPP   |
|------------------------|---------------|---------------|
| Appraised Value        | \$225,000     | \$225,000     |
| Downpayment            | \$25,000      | \$15,000      |
| Loan Amount            | \$200,000     | \$210,000     |
| <b>Loan to Value %</b> | <b>88.89%</b> | <b>93.33%</b> |

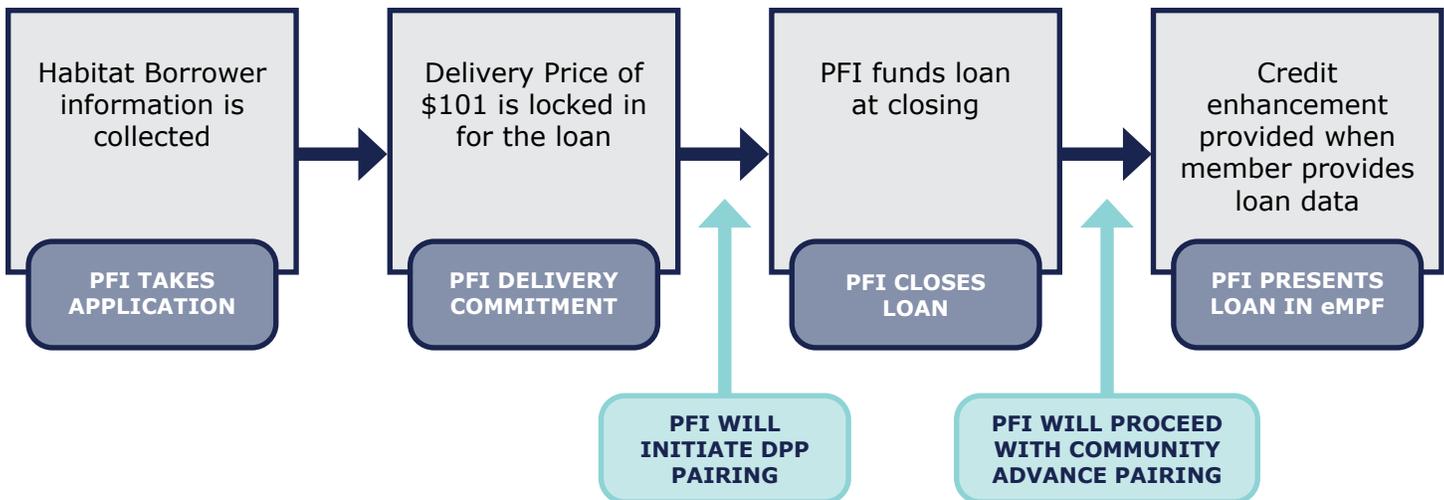
In this case, the borrower's LTV would decrease by about 4.5 percentage points, reducing credit loss risk by increasing borrower equity and lowering potential loss severity.

## Community Advance Pairing Benefits

The PFI may also qualify for a Community Advance. There is no requirement to hold a mortgage on balance sheet, so a PFI can receive discounted funding within 90 days of closing. In the example below, the advance qualifies for a 50 bps discount.



## Program Pairing Workflow



## Conclusion

The MPF Habitat Program offers a significant opportunity for PFIs to expand affordable lending, strengthen nonprofit partnerships, and reinforce their community development initiatives. For homebuyers, the program delivers a sustainable path to homeownership supported by below-market financing and forgivable assistance. Habitat affiliates gain a mission-aligned liquidity pipeline that accelerates construction cycles and supports the development of additional homes for low-income families. PFIs benefit from discounted pricing, improved liquidity, advancing potential CRA performance, and deeper engagement with nonprofit housing partners.

Together with DPP and Community Advance, the MPF Habitat Program offers a comprehensive framework for maximizing impact across stakeholders and delivering meaningful value to communities throughout Illinois and Wisconsin.

## Resources

If you are a PFI and would like help seeking a partner to participate in the MPF Habitat Program, please contact your sales director.

- [MPF Habitat for Humanity Program webpage](#)
- Login to eMPF through [fhlbmpf.com](https://fhlbmpf.com)
- [Learn more about Downpayment Plus \(DPP\)](#)
- [Learn more about Community Advance](#)
- [MPF Traditional Selling Guide](#)
- [Habitat for Humanity Illinois](#)
- [Habitat for Humanity Wisconsin](#)

## Authors



**Anthony Olavarria**

Analyst  
Business Development and Customer Insights  
Sales, Strategy and Solutions



**Vib Jain**

Associate  
Sales, Strategy and Solutions

## Disclaimer

Certain information included in this presentation speaks only as of a particular date or dates included in this presentation. The information in the presentation may have become out of date. The Federal Home Loan Bank of Chicago (FHLBank Chicago) does not undertake an obligation, and disclaims any duty, to update any of the information in this presentation. This presentation may contain forward-looking statements that involve uncertainties and other risk factors that could affect FHLBank Chicago and its financial results; these risk factors are discussed more fully in FHLBank Chicago's reports filed with the Securities and Exchange Commission, which are available on [www.fhlbc.com](http://www.fhlbc.com). Forward-looking statements are statements other than statements of historical fact, and may use forward-looking terms such as "anticipates", "expects", "could", "may", "should" or their negatives or any variations. FHLBank Chicago cautions that, by their nature, forward-looking statements involve risks, that actual results could differ materially from those expressed or implied in these forward-looking statements, and that actual events could affect the extent to which a particular objective, projection, estimate, or prediction is realized.

The data, scenarios and valuations provided to you in this presentation are for information purposes only and are provided as an accommodation and without charge. The data, scenarios and valuations are estimates only and may not represent the actual or indicative terms at which new (or economically equivalent) transactions could be entered into or the actual or indicative terms at which existing (or economically equivalent) transactions could be prepaid, terminated, liquidated, assigned or unwound. The scenarios and valuations were derived using proprietary pricing models and estimates and assumptions about relevant future market conditions and other matters, all of which are subject to change without notice. The scenarios and valuations were prepared without any consideration of your institution's balance sheet composition, hedging strategies or financial assumptions and plans, any of which may affect the relevance of these valuations to your own analysis.

FHLBank Chicago makes no representations or warranties (expressed or implied) about the accuracy, currency, completeness, or suitability of any information in this presentation, and no representation of non-infringement. This presentation is not intended to constitute legal, accounting, investment or financial advice, or solicitation, or the rendering of legal, accounting, consulting, or other professional services of any kind. You should consult with your accountants, counsel, financial representatives, and/or other advisors regarding the extent these scenarios and valuations may be useful to you and with respect to any legal, tax, business and/or financial matters or questions.

Mortgage Partnership Finance®, MPF®, Downpayment Plus®, DPP®, are registered trademarks of FHLBank Chicago. The "MPF Mortgage Partnership Finance" logo is a trademark of FHLBank Chicago. Habitat for Humanity® is a registered trademark of Habitat for Humanity International.