

Wholesale Rate Lock Policy

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Secondary Marketing

Version 1.4– 04/19/17



DOCUMENT OVERVIEW

Purpose Carrington Mortgage Services, LLC (CMS) has developed the following rate lock policies to offer a competitive pricing structure and minimize CMS' interest rate exposure for CMS Wholesale loans. Secondary Marketing will handle any circumstance not covered specifically in this document, on a case-by-case basis.

Scope The requirements and policies in this document are specific to loans funded by CMS.

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Document Overview (continued)

Revision History

Date	Version	Description of Change
04/19/17	1.4	Minor changes throughout.
11/16/15	1.3	In the Rate Locks section, added the Pre-Locks sub-section.
06/11/15	1.2	Revised the Lock Periods section.
01/20/14	1.1	Reviewed by the Vice President of Secondary Marketing and no changes were required.
11/08/12	1.0	New policy.

RATE LOCKS

Pricing/Locks Secondary Marketing is responsible for establishing pricing for loans funded by CMS. The rate sheets published on a daily and intraday basis are only indications. Market conditions are volatile and may cause intraday rate/price changes. Pricing is subject to change without notice due to market conditions or technical issues. No promises or guarantees concerning pricing and rates shall be communicated to an applicant/borrower or Broker prior to a Rate Lock Confirmation received from the Lock Desk or Secondary Marketing. Intraday rate/price changes do occur.

A lock is an agreement between the Broker and CMS. It stipulates the specific number of days CMS guarantees the rate/price. If interest rates rise during the stipulated lock period, CMS is committed to honor the original rate/price. If interest rates decline during the stipulated lock period, the Broker must honor the original rate/price. Although a loan may be locked initially, there is no guarantee that the borrower will be qualified for the loan, that is, the loan is subject to CMS underwriting approval and other eligibility requirements not assessed at the time of lock.

Pre-Locks Brokers may pre-lock the rate/price for loans through Broker IQ. CMS will honor the pre-locked rate/price with the condition that the loan file is uploaded and all minimum submission requirements are received within eight business days of the pre-lock.

Any pre-locked loan not meeting this requirement (file not uploaded and/or incomplete submission) within 8 business days will automatically be cancelled. If the broker requests to continue with the transaction after the eight day expiration, the loan will be subject to the same or worst case pricing, as applicable based on current market conditions. Any exceptions to this policy must be approved by a Senior Vice President or higher.

Note: Refer to the [Loan Submission Form](#) for the minimum submission requirements.

Required Lock Timeframes The required number of days to lock a loan is based on the type of loan and the stage of the loan as shown in the [Required Rate Lock Timeframes](#) document.

Lock Periods Generally, CMS offers the following lock periods:

- 15-day lock
- 30-day lock
- 45-day lock
- 60-day lock

Lock periods may vary by loan product and which state the loan is at the time of lock.

Lock Times and Cutoff Rate lock requests and rate lock extensions can be sent to the Lock Desk between the hours of 7:30 a.m. and 4:00 p.m. Pacific Time.

Any lock requests received after 4:00 p.m. Pacific Time will be processed the next business day.

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Rate Locks (continued)

Rates and Pricing

All rates and pricing are subject to change without notice due to market conditions or technical issues.

Lock Requests

All initial lock requests must be generated through Broker IQ. Non-system generated emails to the Lock Desk requesting initial rate locks will not be processed and the loans will not be locked.

All loans must be locked before closing documents are ordered.

Required Information

The following data must be provided to Secondary Marketing to establish a price and to track rate locks:

- Borrower name
- Property address
- Loan amount
- Loan type
- Program type
- Credit score(s)
- DTI ratios
- LTV/CLTV
- Occupancy
- Doc Type
- Loan Term
- Loan Purpose
- Note rate
- Lock period

Note: The Lock Desk may ask for additional information to complete a rate lock request.

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Rate Locks (continued)

Rate Lock Confirmation

Loans must be locked with Secondary Marketing prior to notifying the borrower that a loan is locked. At no time should a Broker or CMS Associate notify the borrower of a rate lock prior to a Rate Lock Confirmation from Secondary Marketing.

Notice of Receipt

Secondary Marketing will send a notice of receipt indicating the lock request has been received. If a notice of receipt has not been received within two (2) hours, the Lock Desk must be contacted. Lock requests do not guarantee the loan is or will be locked.

Lock Expiration

The Lock Expiration Date is listed on the Rate Lock Confirmation sent by Secondary Marketing. The Lock Expiration Date should be viewed by the Broker as the date the loan will fund (or prior). If the Lock Expiration Date falls on a non-business day, the Lock Expiration Date will roll forward to the next business day.

Rate Lock Confirmation

Once a Rate Lock has been processed, a Rate Lock Confirmation will be sent to the Broker no later than the next business morning. The Broker is responsible for reporting any inaccuracies or inconsistencies to CMS within 24 hours of the Confirmation Date. If CMS agrees with the Broker's findings, CMS will forward a new and amended Rate Lock Confirmation to the Broker with the changes. If CMS is not notified within 24 hours of the Rate Lock Confirmation, the loan is subject to market movement.

Note: The notice of receipt protects the Broker against market changes; however, final pricing calculations are not valid until the lock confirmation is received.

Exceptions

CMS only accepts rate locks that conform to published program guidelines or that have an approved written exception to the guidelines. Loans that are not within CMS guidelines require a written exception prior to lock-in. Broker should contact the Team Lead or Underwriting Manager for assistance in obtaining a single-loan exception. Exception pricing may be applied.

Required Timelines

A complete submission package must be uploaded in Broker IQ within:

- 5 days of the lock date on 30-day locks,
- 15 days on 45-day locks, and
- 20 days on 60-day locks.

Any loan that does not meet the above deadlines will be automatically canceled. If a loan is canceled, it is eligible for re-lock at worse case pricing within 30 days of the cancellation date. Re-lock fees will apply. On all agency fixed rate and FHA/VA fixed rate loans, after 30 days of a cancellation, the loan will be eligible for a re-lock at current market minus all previously applied extensions/relock fees. All other loans will be considered on a case-by-case basis. For any loan that is declined in Underwriting, the lock will automatically be canceled. If the decision is reversed due to CMS error, the loan will need to be locked at current market and will not be subject to the re-lock policy.

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Rate Locks (continued)

Loan Data Change Requests

If any of the items listed in the [Required Information](#) section above change after the loan has been locked, the Lock Desk must be notified immediately of the change via email to the lockdesk@carringtonms.com. The Lock Desk will notify the requestor if there will be any pricing impact due to the change. Loan data change requests received within the [Lock Times and Cutoff](#) hours will be processed the same day (confirmation will be sent by the next business day).

The Broker is responsible for providing proper notification to CMS of any changes to the structure of the loan that may affect pricing. Any changes to the structure of the loan that affect pricing must be validated by the Lock Desk. CMS must be notified immediately if the Broker makes any changes to the mortgage loan that differ from the most recent Rate Lock Confirmation. Mortgage loans delivered for closing must meet the terms of the latest Confirmation. Once a loan is locked, any changes to the loan that may affect pricing (i.e., LTV, DTI, FICO) may invalidate the lock. Please email the Lock Desk at lockdesk@carringtonms.com to validate the lock to reflect the new terms of the loan.

Pull through is extremely important to CMS. Each Broker must completely understand how CMS defines "Fallout." Fallout is defined as any loan locked with CMS that does not fund prior to the Lock Expiration Date for any reason. If CMS determines (in its sole discretion) that a Broker is demonstrating unacceptable fallout, CMS may:

- Refuse to extend existing lock commitments,
- Refuse locks in advance of submission,
- Refuse locks until the loan is in underwriting,
- Refuse locks until the loan is clear to close, or
- Suspend or terminate the relationship.

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LOCKED RATE CHANGES

- Policy** The requirements for changing a locked rate vary based on the status of the loan, as follows:
- **Loans that have not yet been approved by Underwriting**, require a written lock rate change request to be sent to the lock desk as detailed in the [Requests](#) section below.
 - **Loans that have been approved by Underwriting**, require a new Underwriting approval at the new rate. Please allow 24 hours for the Underwriting approval to be issued. Once Underwriting approval at the new rate has been issued, a written lock rate change request must be sent to the lock desk as detailed in the [Requests](#) section below.

Lock change requests received within the [Lock Times and Cutoff](#) hours will be processed the same day (confirmation will be sent by the next business day).

- Requests** All Lock Rate Change requests require a written request to the Lock Desk via email at lockdesk@carringtonms.com. The subject line of the email must contain the borrower name, loan number, and Note Rate Change Request.

MAXIMUM RATE

- Policy** Lock requests are subject to maximum rates determined by the Underwriter. If the requested interest rate exceeds the maximum rate allowed by the Underwriter, the loan will not be locked and the request to increase the maximum rate should be made to the Underwriter prior to the rate lock request.

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LOAN PROGRAM CHANGE

- Policy** All loan program changes must be re-locked with Secondary Marketing.
- Requests** Any program request that requires a resubmission to Underwriting may require a rate lock extension, which will be subject to the [Rate Lock Extension](#) policy. If a loan program change is requested by the Broker, use the following requirements when determining how to process the request:
- If the request for the change to a new loan program is received prior to 10 days before the lock expiration, Secondary Marketing will use its best efforts to set the price of the loan of the desired program to the price that was set on the day the loan was originally locked-in. This will be subject to the discretion of Secondary Marketing.
 - If the requested program change is from a Fixed to an ARM or vice versa, or the amortization terms change, the rate and price will be the worst case of the date of the original commitment or the date of the change.
 - When changing from one FRM to another FRM product with the same amortization terms or a note rate change under the original FRM product, the applicable pricing for that change will be based on the pricing at the time the rate lock was originally locked-in. There will be no change to the expiration date due to the change.
 - The rate lock is tied to the property, so if the property changes, a new rate lock will be obtained at the current pricing available.

All Loan Program Change requests require a written request to the Lock Desk via email at lockdesk@carringtonms.com. The subject line of the email must contain the borrower name, loan number, and Loan Program Change Request. Loan program change requests received within the [Lock Times and Cutoff](#) hours will be processed the same day (confirmation will be sent by the next business day).

RATE LOCK EXTENSIONS

Policy

It is CMS's policy to close loans prior to their lock expiration dates. CMS understands that loans will not always close during the original lock period. Lock extensions cost CMS money and every step should be taken to limit their use. When requesting an extension or re-lock, proper procedures must be followed.

Lock Extensions are only available on loans still within their lock period. If a lock has expired and is requested to be extended, it will be relocked at worst case pricing pursuant to the [Relock Policy](#). If a Lock expires it will be automatically canceled from the system if there is no request for extension on or prior to the expiration date. On all agency fixed rate and FHA/VA fixed rate loans, after 30 days of the cancellation, the loan will be eligible for a re-lock at market minus all previously applied extensions/relock fees. All other loans will be considered on a case by case basis. Lock Extensions are available for up to a maximum of 30 days, after which the loan may be considered for a re-lock at the sole discretion of Secondary Marketing. An initial free 3-day extension is available if the docs are signed and back and all conditions have been provided. The free 3-day extension is available only once per loan. Applicable costs for extension beyond 3 days are below and are subject to change without notice.

- 7 day – 0.125 (loan must be ready for docs)
- 10 day – 0.250
- 15 day – 0.500

Requests

All rate lock extensions require a written request via email to the Lock Desk at lockdesk@carringtonms.com. The subject line of the email must contain the borrower name, loan number, and Rate Lock Extension Request. Lock extension costs are subject to change without notice. Rate lock extension requests received within the [Lock Times and Cutoff](#) hours will be processed the same day (confirmation will be sent by the next business day).

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EXPIRED RATE LOCK/RE-LOCK

- Policy** Loans must fund on or before the Lock Expiration Date. Locks expiring on a Saturday, Sunday, or a holiday will be rolled the next business day. If the loan does not fund on or prior to the Lock Expiration Date, the lock is no longer valid. It is the responsibility of the Broker to monitor his/her locked pipeline and request extensions or relocks when necessary.
- Loans can be re-locked at any time after the original lock has expired at worse-case pricing plus 25 basis points. At the time of re-lock, the loan product and interest rate must still be available and the loan must conform to current product guidelines.
- Requests** All expired locks require a written re-lock request via email to the Lock Desk at lockdesk@carringtonms.com. The subject line of the email must contain the borrower name, loan number, and Expired Rate Lock Request. Re-lock requests received within the [Lock Times and Cutoff](#) hours will be processed the same day (confirmation will be sent by the next business day).

LOCK CANCELLATION

- Policy** If a loan with a rate lock is denied or withdrawn, a lock cancellation email notification must be sent immediately to the Lock Desk.
- Requests** All canceled loans require a written notification via email. The notification should be sent to the lockdesk@carringtonms.com the same day the loan is canceled or denied. The subject line of the email must contain the borrower name, loan number, and Cancellation Notification.
- Exposure to interest rate risk is unacceptable on canceled loans. The integrity of CMS' pipeline is extremely important in controlling interest rate risk and as a tool for pricing competitively. Proper management of CMS' position can only be done if Secondary Marketing has accurate information about the correct amount of loans in the pipeline with guaranteed rate and points. Each Broker is responsible for the regular review of loans in process, the canceling of loans that have been declined, or withdrawn. The pipeline should be reviewed daily and inactive loans purged from the system immediately.

MARKET IMPROVEMENT/RENEGOTIATION

Policy CMS understands that an improving market may create circumstances where the borrower requests a better rate/price than their original lock. A renegotiation will be considered on a case by case basis by Secondary Marketing to prevent loan fallout.

Renegotiation Criteria The following are the criteria for a renegotiation:

- Current market must be at least 1.00 point better in price than the original locked rate/price.
- Loan must be approved with all prior to document conditions signed off; must be ready to have documents drawn.
- The rate must be lowered by at least 0.125 (pricing will be compared at new lower rate). Broker compensation amount cannot change, up or down. The improvement must be for the borrower's benefit only.
- Loan must close with 15 days of new negotiated rate/price.
- Renegotiated terms are not eligible for additional extensions. If the lock expires or the loan does not fund within the 15 days included with the renegotiation, the loan will be re-locked at worse case pricing.
- Loans with docs out will be charged a re-draw fee.
- CMS will not guarantee the ability to meet the borrower's request, CMS will do everything possible to negotiate to a successful close.

The cost for a renegotiated rate is as follows:

- To lower the rate up to 0.250%, the charge will be the current net price minus 0.500%
- To lower the rate 0.375%, the charge will be the current net price minus 0.625%
- To lower the rate 0.500%, the charge will be the current net price minus 0.875%
- Extensions and/or re-lock requests for loans that have been renegotiated will be subject to the terms of the [Re-Lock Policy](#).
- Rate Lock renegotiations for all Government Streamline, ARM, Jumbo, and Specialty programs will be considered on a case by case basis.

WORSE CASE PRICING

Policy Worse case pricing is calculated by comparing the original lock rate/price to the current market rate/price and applying the lower (worst) price of the two calculations.

End of Policy