



Freddie Mac

Early Rate Lock Delivery Option

DESCRIPTION

Freddie Mac's Early Rate-Lock delivery option, an alternative to Standard delivery, eliminates interest-rate risk and credit-spread risk early in the mortgage approval process. About 60 percent of the loans purchased by Freddie Mac are delivered through the Early Rate-Lock option. Eligible mortgages include conventional mortgages, supplemental mortgages and certain seniors housing mortgages.

BENEFITS / FEATURES

- Early Rate-Lock delivery can offer peace-of-mind if you're concerned about market volatility. Borrowers can lock the interest rate, establish the mortgage amount and set other key provisions of a proposed mortgage after our preliminary underwriting review but long before Lender submits the final underwriting package (including third-party reports).
- Early Rate-Lock empowers Borrowers to choose when to lock the interest rate.
- By design, the Early Rate-Lock option moves mortgages quickly through the approval process. We generally countersign the Early Rate-Lock Application within 30 days of receiving the final underwriting package.
- The cost savings realized with an Early Rate-Lock execution can be significant when interest rates and/or credit spreads are rising.

STRUCTURE

- PRELIMINARY UNDERWRITING**.... Lender submits a preliminary underwriting package to Freddie Mac along with a written request for an early rate-lock delivery. Freddie Mac then conducts a preliminary due diligence and property inspection if necessary.
- APPLICATION** If the mortgage presented meets the requirements of the selected mortgage program and the early rate-lock delivery option, Freddie Mac will establish proposed loan terms and conditions. Lender must then complete an early rate-lock application based on Freddie Mac-specified terms and conditions and return it by fax to the appropriate Freddie Mac regional office for approval. If the application is acceptable to Freddie Mac, the interest rate can be locked.
- Once Lender submits the acceptable early rate-lock application to Freddie Mac and the interest rate is locked, the required good faith deposit must be submitted to Freddie Mac the next business day.
- FULL UNDERWRITING** Lender must deliver the full underwriting package with completed appraisal to Freddie Mac within 45 days of the rate-lock date. Freddie Mac will conduct its full due diligence and property inspection after receiving the full underwriting package.
- APPROVAL** Freddie Mac will accept or reject the Early Rate-Lock Application within 30 days of receiving the full underwriting package. An accepted Early Rate-Lock Application will be countersigned by Freddie Mac and becomes Freddie Mac's commitment to purchase the loan.
- DELIVERY** Lender must close and deliver the final loan to Freddie Mac by 30 days from receipt of the countersigned Early Rate-Lock Application or by the date specified by Freddie Mac.
- EXTENDED DELIVERY** Under certain circumstances, Freddie Mac will grant an extended delivery of a loan so that loan closing can occur up to six months beyond the standard delivery schedule. An extended delivery is advantageous to a borrower who wants to avoid the payment of a large prepayment fee under its existing loan terms. The rate on the new loan can be locked while interest rates are attractive, and the loan can be closed in the future.