



## FREDDIE MAC® Early Rate Lock (ERL)

Eliminates interest rate risk early in the mortgage approval process and provides peace of mind for borrowers that are concerned about market volatility.

### What is an Early Rate Lock?

Ability to lock the interest rate for a fixed-rate mortgage or the spread for a floating-rate mortgage

### Benefits of an Early Rate Lock

**Fast and efficient** - Limited information needed for review of the preliminary underwriting package

**Cost savings** - Significant savings when interest rate or spreads are rising

**Flexibility:** Some aspects of the transaction can be modified after rate lock at full underwriting:

- Loan amount can be increased by up to 5% if positive net operating income (NOI) growth is demonstrated
- No breakage fee for decreases in the loan amount that are within 5% of the preliminary underwriting amount due to decreases in NOI, appraised values that are lower than the underwritten value, etc.

### Eligible Products

- Conventional loans, including supplemental and refinances
- Targeted Affordable Housing

### How Early Rate Lock Works

#### Preliminary Quote

- Arbor submits the Loan Submission Template and requests quote
- Freddie Mac Production reviews the submission and obtains the pricing quote
- Arbor reviews and accepts quote and requests early rate lock

#### Preliminary Underwriting Package

Arbor provides documents for ERL execution detailed in the Freddie Mac Guide

#### Rate Lock

- Mortgage amount and other key provisions must be set within two to five days after the preliminary underwriting review
- After Freddie Mac's preliminary underwriting and due diligence are complete and the loan has been approved for ERL, Freddie Mac provides Arbor with the maximum mortgage amount and all loan terms
- Freddie Mac provides the early rate lock application (ERLA) to Arbor for sign-off
- After ERLA execution, Freddie Mac will lock in the submitted terms

#### After Rate Lock

Following the rate lock, Arbor retains a good faith deposit equal to 2% of proposed loan amount (if refinancing an existing Freddie Mac portfolio loan, borrowers may post a demand note in lieu of a good faith deposit and provide the nonrefundable application fee in cash)