

Early Rate Lock (ERL)

Early Rate Lock (ERL) eliminates interest rate risk early in the mortgage approval process and provides peace of mind for borrowers who are concerned about market volatility.

What is an ERL?

Ability to lock the interest rate for a fixed-rate mortgage or the spread for a floating-rate mortgage, establish the mortgage amount, and set other key provisions of a proposed mortgage within two-to-five days after Freddie Mac's preliminary underwriting review and long before the Arbor lender submits the full underwriting package

Benefits of an ERL

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 10% if positive net operating income (NOI) growth is demonstrated
- No breakage fee for decreases in the loan amount that are within 10% 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, TAH, and Seniors Housing loans

How ERL Works

Preliminary Quote

- Arbor submits the Loan Submission Template and requests a quote with an ERL
- Freddie Mac Production reviews the submission and obtains the pricing quote
- Arbor reviews and accepts the quote

Preliminary Underwriting Package

Arbor provides documents for ERL execution detailed in the *Freddie Mac Multifamily Seller/Service 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 the 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 non-refundable application fee in cash)