

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?

Borrowers can 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 our preliminary underwriting review and long before Arbor submits the full underwriting package.

Benefits of an ERL

Fast and efficient – The limited amount of information that the borrower needs to submit in the preliminary underwriting package enables the Freddie Mac® underwriter to review the package more quickly and move mortgages faster through the process.

Additional factors can further speed decisions, including:

- Repeat borrowers that have completed other deals within the last 12 months
- Freddie Mac's familiarity with the property market

Cost Savings – Significant savings when interest rate or spreads are rising

Flexibility – At full underwriting, after rate-lock:

- Borrower can increase the loan amount by up to 10% provided positive net operating income (NOI) growth is demonstrated
- There is no breakage fee for decreases in the loan amount that are within 10% of the rate locked loan amount due to decreases in NOI, appraised values that are lower than the underwritten value, etc.

Eligible Products

Conventional, Targeted Affordable Housing and Seniors Housing

How ERL Works

Quote

- Arbor submits the Loan Submission Template (LST) and Narrative with an early rate-lock quote requested to begin the quote process
- Freddie Mac Production team reviews the submission and delivers an early rate-lock quote
- Arbor reviews the quote and delivers an application, which reflects the quoted loan terms and has been signed by the borrower, to Freddie Mac Production

Preliminary underwriting package

- Arbor provides all documents for an early rate-lock execution detailed in the *Freddie Mac Multifamily Seller/Service Guide* (Guide), Exhibit 1: Underwriting Checklists
- For properties with special circumstances or special features, Arbor also submits the applicable documents listed in the Addendum to Part A.

Rate-lock

- After Freddie Mac's preliminary underwriting and due diligence are complete and the loan has been approved for rate-lock, Freddie Mac provides Arbor with the maximum mortgage amount, term, amortization, net spread, servicing fee, prepayment terms and non-standard provisions
- Freddie Mac provides the early rate lock application (ERLA); Arbor signs and returns all applicable portions of the application
- Once the ERLA is executed, Arbor calls the Freddie Mac regional office during the time period set forth in the ERLA to lock the terms contained in the ERLA

After rate-lock

- By 2:00 p.m. ET on the second business day following interest rate-lock, Arbor must remit to Freddie Mac the application fee and provide evidence that it has retained a good faith deposit in the amount required by the Guide. (Note: On the refinance of 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.)
- Arbor must execute Exhibit A of the ERLA to indicate acceptance of terms and return to Freddie Mac by the next business day.
- Within the specified time frame, Arbor must deliver the full underwriting package to Freddie Mac, including all documents detailed in the Guide, Exhibit 1: Underwriting Checklists, as well as any applicable documentation noted in Addendum to Part B.