



## Freddie Mac Early Rate-Lock Delivery Option

Freddie Mac's Early Rate-Lock delivery option, an alternative to Standard delivery, is favored by Freddie Mac-approved lenders and their borrowers, because it 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. Borrowers who choose the Early Rate-Lock option appreciate its many benefits, such as:

- Early Rate-Lock delivery can offer peace-of-mind if you're concerned about market volatility. You 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 your lender submits the final underwriting package (including third-party reports).
- Early Rate-Lock empowers you 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. The following table compares interest-rate calculations in a rising interest-rate environment, where one borrower chose to use the Early Rate-Lock delivery option and the other borrower chose to wait 90 days before rate-lock:

Mortgage Delivery Option	Loan Amount	Note Rate	Term/Amortization	Total Interest Paid Over 10-year Term
Waited 90 Days to Rate-Lock (June)	\$9 million	7.15 percent	10-year/30-year	\$6,044,542
Used Early Rate-Lock Option (April)	\$9 million	6.65 percent	10-year/30-year	\$5,591,561
Interest Savings		0.5 percent		\$452,981

### Eligible Mortgages

Conventional mortgages, supplemental mortgages, and certain seniors housing mortgages are eligible for Early Rate-Lock delivery. The minimum eligible mortgage amount is \$2.5 million.

## How it Works

**Preliminary Underwriting:** Your Freddie Mac-approved 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.

**Early Rate-Lock 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. Your 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 your 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:** Your 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:** Your 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 eight 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.

## Fees

**Application Fee:** A nonrefundable application fee of 0.1 percent of the loan amount is earned upon rate-lock and payable to Freddie Mac upon mortgage purchase out of the good faith deposit.

**Good Faith Deposit:** For an Early Rate-Lock 6 months or less, the total good faith deposit is 2 percent of the mortgage amount, of which 1.9 percent is refundable. If the Early Rate-Lock is more than 6 months and less than 12 months, the total good faith deposit is 3 percent of the mortgage amount, of which 2.9 percent is refundable.