

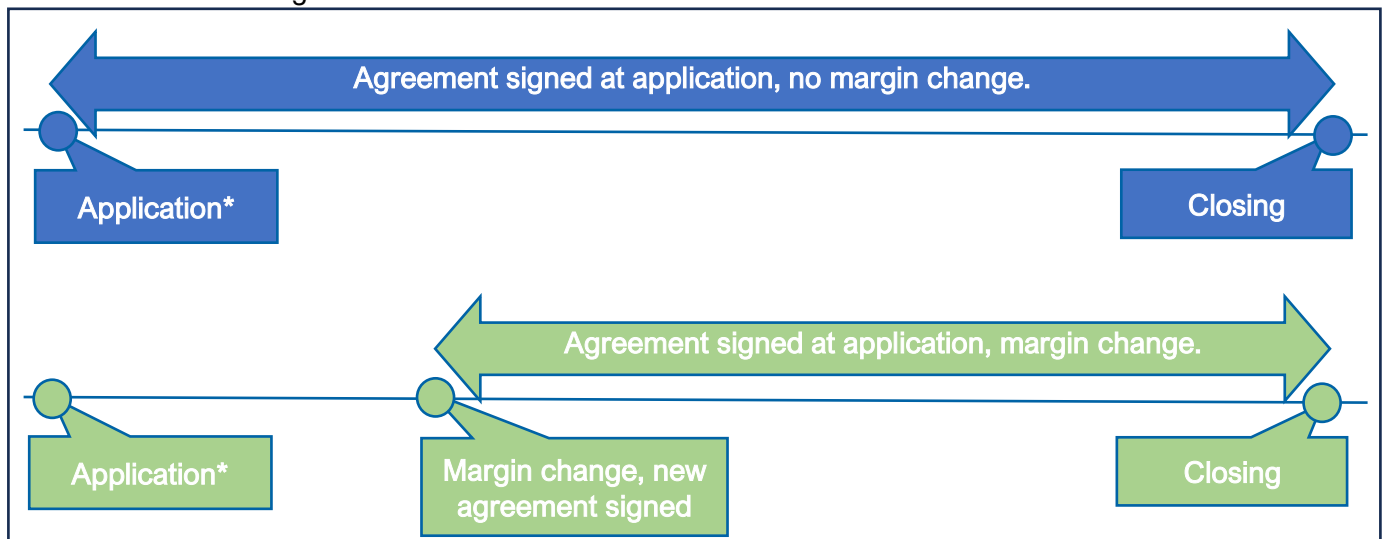
Expected Interest Rate Lock and Relock

Effective with FHA Case Numbers ordered on or after 4/29/24, borrowers should opt-in to the Rate Lock/Relock Agreement to provide the greatest flexibility and protection.

The **optional** Expected Rate Lock & Relock Agreement is part of ARM packages in both Quantum Reverse (QR) and Reverse Vision (RV). The agreement should be signed at application with the borrower opting into the Rate Lock/Relock option. **If they decline to opt-in, the EIR is set at Closing.** The agreement allows the Expected Interest Rate (EIR) to be relocked at any time between the initial agreement and closing if margin does not change. If the margin changes a new agreement must be executed and the “start date” for EIR begins on the date of the new agreement and can be relocked from the point of the new agreement until loan closes.

Key Takeaways

- A signed Lock/Relock Agreement where the borrower has “opted-in” will allow the Expected Interest Rate (EIR) to change from the agreement sign date to closing IF the margin does not change.
- *When opting in, the Index and Margin are locked together.*
- Files are reviewed weekly by your Partner Coordinator. When the index improves a virtual relock will be performed.
- If margin is lowered after application a new agreement must be signed and the index in effect during that week is used to calculate the EIR. If the margin is lowered again, another new agreement must be signed, and the process starts again using that signing date.
- Before lowering a margin, users should calculate the “new” PL, based on current rates, to ensure proceeds are increasing.
- The Expected Rate Lock still expires 120 days from the Case Number Assignment Date. We will extend that period for an additional 120 days if there are no changes to the margin under the last executed lock in agreement.



**Application Print Date (RV: RESPA Application Date or QR: Application Taken Date)*

Expected Interest Rate Matrix

	Scenario	Rate used at Closing
1	Signed Locked/Relock Agreement at Application No margin change during life of loan	The EIR providing most proceeds from agreement date to closing.
2	Signed Locked/Relock Agreement at Application Margin changed after application New Agreement signed and submitted (with margin change)	The EIR providing most proceeds from new agreement date to closing.
3	Locked/Relock Agreement not signed No margin change during life of loan	The EIR effective at Closing.
4	Locked/Relock Agreement not signed Margin lowered during life of loan	The EIR effective at Closing.

Examples

Lock Agreement signed at Application – no change in margin.

Dates	Index	Margin	EIR	EIR Used
Application - 5/1/2024	4.00%	2.5%	6.5%	6.5%
Index change – 5/21/24	4.50%	2.5%	7.00%	
Closing - 7/1/2024	4.25%	2.5%	6.75%	

Lock Agreement not signed – no change in margin.

Dates	Index	Margin	EIR	EIR Used
Application - 5/1/2024	4.00%	2.5%	6.5%	6.75%
Closing - 7/1/2024	4.25%	2.5%	6.75%	

Lock Agreement signed at application – margin reduced after application.

Dates	Index	Margin	EIR	EIR Used
Application - 5/1/2024	4.00%	2.25%	6.25%	5.75%
Margin Change* - 6/1/2024	4.375%	2.0%	6.375%	
Index change – 6/25/24	3.75%	2.0%	5.75%	
Closing – 7/1/2024	4.50%	2.0%	6.50%	

*New Agreement signed

Lock Agreement not signed at application – margin reduced after application.

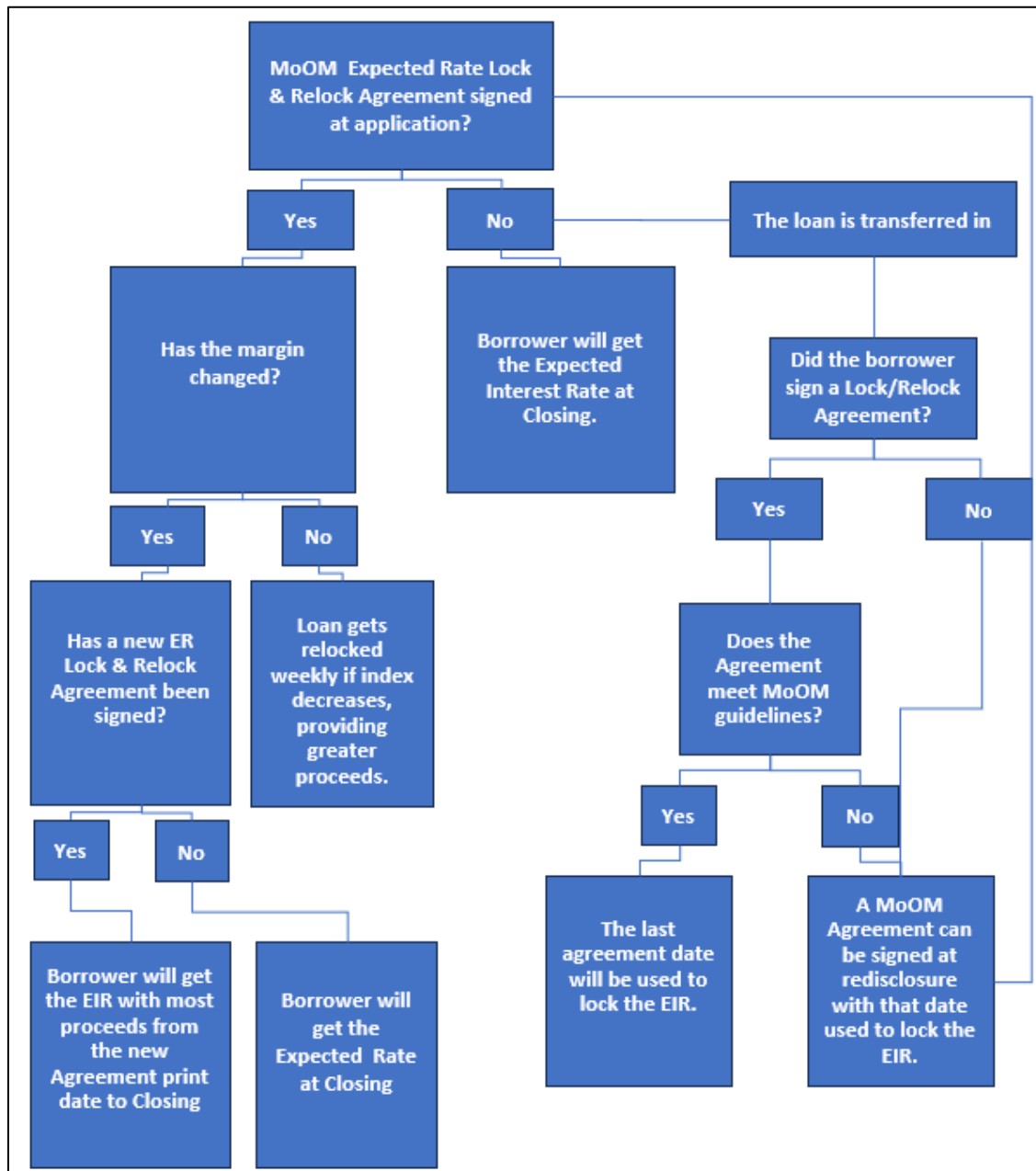
Dates	Index	Margin	EIR	EIR Used
Application - 5/1/2024	4.00%	2.25%	6.25%	6.50%
Margin Change - 6/1/2024	4.375%	2.0%	6.375%	
Closing – 7/1/2024	4.50%	2.0%	6.50%	

Transfers In

When a loan is transferred from another lender to Mutual and a Lock/Relock Agreement was signed prior to submission the agreement will be reviewed for compliance with Mutual guidelines. If agreement meets guidelines the agreement can be honored. If the margin is changed after transfer another agreement (the Mutual version) must be signed.

If the agreement is unacceptable or if one was not submitted, one will be provided when loan is redisclosed at Lender Acceptance. If the borrower chooses to sign the Mutual agreement and Opt-In, the date of the agreement will be the “start date” of the lock period.

Mutual Expected Rate Lock & Relock Agreement Flowchart



FAQs

Q. Are the new rules effective for all case numbers?

A. No, the new rules are only effective with FHA Case Numbers assigned on or after 4/29/24

Q. Do the new rules effect both ARMs and Fixed Rate HECMs?

A. No, just HECM ARMs. Fixed rate loans are fixed from the time of application through the life of the loan.

Q. If the borrower(s) opts-in at application and the margin doesn't change, what EIR is used at loan closing?

A. We will review the 10-year CMT index each week until loan closing and relock the EIR if the index decreases, so that the borrower receives the maximum amount of proceeds.

Q. Will Mutual redisclose when the index decreases?

A. No, when files are reviewed each week and the index decreases, a relock will be done systematically.

Q. If I need to decrease the margin after submission, what happens?

A. Request a lower margin from your PA and the loan will be redisclosed with a new Lock/Relock agreement which must be signed and returned. Remember, the EIR will now begin from the redisclosure date, NOT the application date.

Q. If the index decreases after application but before submission to Mutual, do I need to redisclose?

A. No, if the agreement was signed at Application there is no need to redisclose if the index changes. Only changes to the margin will require redisclosure.

Q. If I need to lower the margin at Closing to provide more proceeds to the borrower, what index will be used to calculate the EIR?

A. The index effective the week of Closing will be added to the new index to calculate the EIR. Since the index might be higher, it's a good idea to calculate how much more in proceeds the borrower will receive. Lowering the Origination Fee may be more effective in that case.

	Dates	Index	Margin	EIR	
App Date	5/10/2024	4.30%	2.50%	6.80%	Using the lower margin, may result in a lower PLF, since the index has increased.
Closing Date	6/8/2024	4.75%	2.25%	7.00%	

Q. What date will appear on the Lock/Relock Agreement?

A. The date the document was generated will appear on the agreement.

Q. If my borrower does not Opt-in or does not complete the agreement, what EIR will they receive?

A. When there is no agreement or if the borrower declines to Opt-In according to agreement, they will get the EIR effective the week of Closing.

Q. Can the borrower "change their mind" and Opt-In after application?

A. Yes, but date of the agreement would be the start date of the lock.

FAQs (cont.)

Q. Is there any downside for borrowers who opt-in?

A. No. The optional rate lock/relock process gives borrowers the opportunity to lock in their PL and avoid the risk that their PL might be lower at closing, remembering always that a change in margin relocks the loan based on the PLFs in effect at that time.

Q. What happens if there is a valid change circumstance (VCC) (e.g., value change, product change [Fixed to ARM or visa-versa])?

A. The Redisclosure Team will confirm the margin has not changed at redisclose as normal. If the margin has changed a new agreement must be signed and the date the document was generated will be the new "start date."

Q. When there is a relock, when is it effective?

A. Rates continue to be effective starting on Tuesdays (Wednesdays if Monday is a Federal Holiday).