



STEARNS LENDING LOCK-IN POLICY – Effective 01/19/10

Disclaimer:

The interest rate market is subject to movements without advance notice. Locking in a rate protects you from the time that your lock is confirmed to the date that your lock period expires.

Lock-In Agreement:

A lock is an agreement between an approved Broker and Stearns Lending. Brokers must be approved with Stearns prior to submitting a lock request. A lock agreement specifies the number of days for which a loan's interest rate is guaranteed on a specified program. Changes to the terms of the loan may change the terms of the lock agreement. Should interest rates rise during that period, Stearns Lending is obligated to honor the committed rate. Should interest rates fall during that period, the Broker must honor the lock. At times during the day when there is a price change, Stearns Lending will send out e-mail notification of changes specifying a specific time for the change. Any locks received after this initial notice time are subject to the new pricing unless you contact us not to lock your loan the same day.

Lock Periods:

Locks will be taken between 7:30 AM and 3:00 PM PST. Rates are subject to change at anytime. Locks for 14 days can be done on purchases, refinances, streamlines, relocks and re-negotiations (float downs) but not until all PTD conditions have been signed off in the computer. Locks for 21 days are allowed on Approved loans. Locks for 35, 45 and 60 days are allowed for any loan including Pre-locks. Locks will not be allowed on Denied loans. Loan files must be received in the Branch within the following schedule or the lock will be canceled:

- For 35 Day Locks 10 Calendar Days
- For 45 Day Locks 14 Calendar Days
- For 60 Day Locks 21 Calendar Days

Once a lock has been canceled, the Broker will not be eligible for a relock until all the PTD conditions have been signed off in the computer. Incomplete and/or inaccurate locks will not be processed. Any loan that has a lock that has been cancelled or the lock has expired but has not been extended, must wait 60 days to go to current market.

Lock Changes:

If you are changing your program, in most cases we will go back to the original date of lock if there is sufficient time for funding. However if the program is changing from a Fixed to an ARM, or from Conforming to Jumbo, **pricing will always go to current market.** If you have locked an ARM or Jumbo, the following restrictions will apply:

- Extensions do not follow normal extension policy. Each extension will be determined on a case by case basis.
- If you lock a loan on one of these programs and you cancel the lock at any time and then try to relock, pricing will be worse case scenario.

Float Down Policy:

Float downs must lower the interest rate to the Borrower and Broker compensation cannot be increased. Loans may be relocked for a one-time maximum of 14 days. Loans must be ready to have docs drawn. Pricing will be renegotiated to current market minus .50 pt. with a cap of lowering the rate by .375% on Conventional loans and .50% on Government loans. Any requests beyond a rate reduction cap will be handled on a case-by-case basis. Float downs are not allowed on Jumbo or ARM programs.

Relock/Extension Policy:

A Full Term Relock will be the worse of the current market or original price. **We cannot extend any locks until all PTD's have been signed off in the computer.** A One-Time Only Short Term extension is as follows (short term extension costs that may affect APR must be absorbed by the Broker to avoid re-disclosure):

- 3 Business days +0.125 pt
- 7 Business days +0.250 pt

Extensions are available for programs and rates currently posted on our rate sheet only. If the original locked price is worse than the current 14 day price, an extension will be allowed at no cost on Conforming Fixed and Government Fixed products only. All requests for extensions must be made **prior** to the loan expiring and all Prior to Doc conditions must be signed off in the computer. Requests for extensions on Jumbo loans and any ARM loans will be looked at on a case-by-case basis. Requests for extensions can be made any time before the lock expires as long as all PTD's have been signed off in the computer. Requests for extensions after the lock expiration date will be subject to your original pricing or current market, whichever is worse and can only be made once all PTD's have been signed off in the computer.

Confirmations:

In all cases, you will be provided with a faxed or emailed confirmation of your lock-in within 24 hours of locking. If you do not receive a faxed or emailed confirmation in that time period, please email the Lock Desk immediately at locks@stearns.com and include your proof of your original request. If you do not email within this time period, we cannot honor pricing if the market has moved. **If you have any questions concerning Stearns Lending Lock-In Policy, sending in faxed locks, e-mailed locks, or how to lock via the Stearns Website, please contact your Wholesale Account Executive.**

Frequently Asked Questions:

How do I extend my lock?

Extension requests should be sent by e-mail (locks@stearns.com) or may be faxed to 714-513-7221/7224 and must be received by 3:00 PST. The extension request must also be received by the expiration date of the lock, or before and all Prior to Doc Conditions must be signed off in the computer in order to request an extension. Please do not request an extension unless the PTD's are signed off. If the current market is worse than your lock, we cannot extend a loan that has expired. If the current market is the same or better than your lock, we will extend after the lock has expired however, all PTD's will still need to be signed off first and the maximum extension time will be 14 days from the day of the extension request.

Can I change my lock-in period after I lock my loan?

The lock-in period can only be changed the same day that the loan is locked and would have to be changed no later than 5:00 PST.

Can I make requests to change my lock over the phone?

All requests for changes, extension, etc. must be received in writing. You can e-mail to locks@stearns.com or fax the requests to 714-513-7221/7224. Please note that any request sent to e-mails other than locks@stearns.com will not be completed.

What happens if my lock expires?

Once a lock expires you can request an extension if all PTD conditions are signed off and you will receive the worse case pricing for a maximum of 14 days. Worse case pricing means that we will look at the pricing on your original lock (including all adjustments) and compare it to the current day's 14 day pricing. Whichever is worse is what we will use for the relock for 14 day regardless of how long the loan was originally locked for. If the current market pricing is better than the original lock, you will receive a "Free" extension. The exception to this is in the case of Jumbo loans or any ARM loans where there is no "Free" extension. These will be negotiated on a case-by-case basis. There is a 60 day waiting period from the expiration date of the old lock to be able to receive current market pricing and you will still only be able to lock for 14 days with the requirement of all PTD conditions signed off.

Will you renegotiate my lock-in if the market has improved?

Stearns will allow a one-time renegotiation of the lock (float down) for a maximum of 14 days under the following conditions:

- Loan must be ready to have docs drawn (all PTD's must be signed off).
- Interest Rate must be reduced to the Borrower.
- Pricing will be renegotiated to current market -0.500 pt. and a max rate reduction of 0.375% of Conventional Fixed or 0.500% for Government Fixed will be allowed.
- The amount of Broker compensation can not be increased.
- Renegotiations of Jumbo loans or any ARM loans are not allowed.

Can I call or e-mail pricing scenarios? Can I get pricing over the phone or can I lock over the phone?

The Lock Desk will not be able to answer pricing scenarios, give pricing over the phone or accept a lock over the phone. There is a pricing engine on the Web Site at stearnswholesale.com called Snap (just click on the PriceIt button) and you can run your pricing scenarios through it. If you are unfamiliar with how to use Snap, you can contact your Account Executive for training or for pricing assistance.

Can I transfer my lock to another property?

Locks are not transferable; the lock stays with the original property it was locked with. If a property falls out then the old lock should be cancelled and a new lock on the new property will need to be done. Stearns will only allow one lock per property active at any one time.

What if I change to another Company/Broker, can I keep my lock?

Locks are not transferable; the lock stays with the original Broker/Company it was locked with and the old loan will have to be cancelled before the new loan is allowed to lock.