

Company | Third-Party Origination Lock Policy

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Overview

Cardinal Financial Company, Limited Partnership's ("Cardinal") Third-Party Origination ("TPO") Lock Policy outlines Cardinal's interest rate lock requirements to ensure compliance with interest rate locks and available lock terms.

A "lock" means that the consumer's interest rate offered at the time of rate lock will remain the same for a specific period of time. Locking in a rate does not guarantee a consumer's eligibility and is not connected with the approval of the subject loan. Locks are not transferable to additional loan applications for any reason.

Lock Desk Information

While most rate lock functionality can be performed directly in the Octane Broker portal, there may be instances where Cardinal Lock Desk ("Lock Desk") assistance is needed. These instances include, but are not limited to, troubleshooting pricing errors, lock mismatch error assistance, Lock Desk policy questions, and lock void requests.

Hours

Lock Desk hours are 8 a.m. - 8 p.m. Eastern Standard Time (EST), Monday-Friday.

Contact Information

Account Executives can contact the Lock Desk:

- Via email at lockdesk@cardinalfinancial.com
- By phone at 704-624-7031
- Through a support ticket on the [HUB](#).

Brokers may direct questions to their Client Advocate Team or Account Executive.

Daily Pricing

Daily lock pricing is distributed and updated in Octane at approximately 10 a.m. EST Monday-Friday. Lock pricing shown in Octane includes all loan-level price adjustments (“LLPAs”) and lender-paid compensation (“LPC”), if applicable.

Price Changes

Fluctuating market conditions may lead to intraday price changes (“Price Changes”). The Cardinal Financial Pricing Desk (“Pricing Desk”) will send email notifications for Price Changes, which are effective once rates and pricing are posted in Octane.

- When the Pricing Desk sends the email notification titled “NOTICE - Cardinal Price Change - Worsening,” the Broker will be temporarily unable to lock loans in Octane until current rates and pricing have been reposted.
- When the Pricing Desk sends the email notification titled “NOTICE - Cardinal Price Change - Improving” a Price Change for the better, pricing remains open during the reprice.

All rate lock requests submitted after a Price Change will be subject to the new lock pricing regardless of whether the Broker received the notification.

Confirmation Policy

An interest rate is not locked until the lock submission request is confirmed in Octane. Until confirmation, the rate will fluctuate or float with changes in the market. Once the Lock Desk confirms the information submitted and addresses any mismatches, the lock is confirmed in Octane.

Loan Changes

Worst-case pricing will apply to certain loan products and program changes.

Example: Changing a loan program from a fixed rate to an adjustable rate (“ARM”).

Worst-case pricing will apply when changing from a Non-Agency product to an Agency product (such as switching from an FNMA30HB to a Cardinal Jumbo AUS 30-Year fixed or vice versa).

- **Agency product** - A mortgage loan that is eligible to be sold to a Government-Sponsored Enterprise (“GSE”).

- **Non-Agency products** - A mortgage loan not eligible to be sold to a Government-Sponsored Enterprise (“GSE”).

Changing the loan term within the 30-16 year range (such as 30-year to 20-year) or within the 15-10 year range (such as 10-year to 15-year and vice versa) will not result in worst-case pricing. However, worst-case pricing will apply when switching from a 30-16 year range to a 15-10 year range and vice versa.

Refer to the table below for examples of loan program changes that impact lock pricing. All pricing changes due to changing the loan program (for example, from conventional to government or government to conventional) will apply.

Original Program	New Program	Pricing
Conventional 30 YR Fixed	Government 30 YR Fixed	Worst Case
Conventional 30 YR Fixed	Conventional ARM	Worst Case
Conventional 30 YR Fixed	Conventional 15 YR Fixed	Worst Case
Conventional 30 Yr Fixed	Conventional 20 Yr Fixed	Lock Date
Conventional 20 YR Fixed	Conventional 10 Yr Fixed	Worst Case
Conventional 30 YR Fixed HB	Cardinal Jumbo AUS	Worst Case
Cardinal Jumbo AUS	Cardinal Jumbo AUS Expanded	Worst Case

Duplicate Locks

Duplicate lock requests will not be accepted. Cardinal will only accept one lock for each borrower(s)/property address combination. Unless a valid compliance reason is provided, the Lock Desk will void any duplicate locks created on the same day.

Lock Cancellations

Brokers are expected to make every effort to close all loans locked with Cardinal Financial. Brokers should actively manage locked pipelines and reach out to their Wholesale Client Advocate to cancel any locked loans that have been withdrawn or denied.

Once a loan is locked, a complete file must be submitted within the timeframe below for the lock to remain active. If the file is not received within the specified time frame, the lock will be automatically canceled and subject to Cardinal's relock policy (see [Relocks](#) for more details). A file is considered received when a full loan package has been submitted and the loan has been submitted to underwriting.

Lock Duration	Full File Submission Timeframe
15 Day Locks	Allowed on Approved loans only
30 Day Locks	10 Calendar days
45 Day Locks	15 Calendar days
60 Day Locks	20 Calendar days

Property Address

If the subject property address changes (with the exception of minor numerical or spelling errors), the Broker must start a new loan in Octane with a new loan number, resulting in a new lock at current market pricing. Lock requests are not accepted with a property address listed as "TBD" in Octane.

Geographic Lending Area

Cardinal is approved to lend in all 50 states and the District of Columbia (DC).

Credit Committee Exceptions

The Lock Desk requires Cardinal Credit Committee ("Credit Committee") approval to lock any loans outside Cardinal's eligibility requirements. Loans should be submitted to the Credit Committee for approval and then sent to the Lock Desk when approval has been received. Refer to the [Compliance | Loan Exception Policy](#) and the [Requesting a Loan Exception Review](#) procedure for details.

Disaster Declarations

Cardinal will charge Brokers lock extension costs due to delays in closing resulting from declared disasters. Loans impacted by disasters must be declared and tracked in Octane. Brokers must ensure any required lock extensions are requested and managed appropriately. See [Compliance | Natural Disaster Operations Policy](#) for more information.

Product Offerings

See the Octane Library [Product Snapshots](#) for more details.

Agency Products

Lock Confirmation

Agency product lock requests are accepted from the time rates are first posted (“Initial Price Posting”) in Octane until 11:59 p.m. EST Monday through Thursday. Agency product lock requests are accepted from Friday’s Initial Price Posting in Octane until 11:59 p.m. EST on Sunday. All Agency product lock requests must be confirmed by 11:59 p.m. EST on the day the lock request is submitted. Octane will void any outstanding Agency product lock requests not confirmed by midnight ET, and the Broker must resubmit the lock request the following day after rates are posted.

For additional information, see [Unconfirmed Lock Requests to Begin Expiring at Midnight Daily](#).

If a Broker submits an initial lock or relock request in error, the initial lock or relock request can only be marked void in Octane (“Void Request”) on the same day the lock was submitted. For any Void Request, the Broker must email the Lock Desk before 8:00 p.m. ET Monday - Friday. Submissions made outside of Lock Desk hours will not be accepted.

Lock Periods

The following is a list of lock periods:

- 15 days (available only for loan applications that have Approval status in Octane)
- 30 days
- 45 days
- 60 days
- 90 days

Lock Expiration

Locks are valid until 11:00 p.m. ET on the date of lock expiration; at that time the lock will expire. Locks with expiration dates that fall on a weekend or company holiday will roll to the next business day at 11:00 p.m. ET.

An expired rate lock cannot be extended. Locks must be valid through the loan funding date and may require extensions or relocks as necessary. On purchase transactions, the lock expiration date should be set at greater than or equal to the effective funding date stated in Octane.

Lock Extensions

Brokers can submit Agency product lock extension requests in Octane as needed to ensure the rate is locked through the loan funding date. Agency rate lock extensions are automatically confirmed and cannot be voided once complete. Brokers must request extensions by 11:00 p.m. ET on the day the lock expires. If Lock Desk assistance is required to coincide with Lock Desk hours, Brokers must request extensions by 8 p.m. ET on the day the lock expires. Refer to [Lock Expiration](#) for more details.

Agency product lock extensions cost two bps (0.02% of the loan amount) per day. Cardinal allows a maximum of ten rate lock extensions, which cannot exceed 30 days past the original lock duration. Lock extension requests that exceed the maximum allowed extensions are treated like the relocking of an expired lock.

Relocks

Brokers can submit a relock request for loans with an expired or voided lock. Relocks are unavailable on discontinued products or rates that are no longer offered on Cardinal's current market rate sheet. Any product guideline changes to active products will apply to relocks. Declined loans may be relocked only if the denial decision is overturned.

If the Broker submits a relock request on a loan where the original lock expired less than or equal to 30 days before the relock request, the lock is subject to worst-case pricing, and a relock fee of 25 bps (0.25% of the loan amount). Worst-case pricing compares the original lock scenario at the current market pricing to the initial lock pricing, including extension costs. Any existing extension fees are removed if the current pricing is worse than the initial lock pricing plus extension fees. In the following example, the extension fees would be removed.

Initial Lock Scenario plus extension fees	vs.	Initial Lock Scenario at current market
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100.500 + (-.375 extension fees) = 100.125		100.000
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The relock period must be less than or equal to the original lock period. However, the relock price will correspond to the original lock term pricing. The net price cannot improve through a relock (notwithstanding the 25 bps relock fee) that has expired for 30 days or less. Locks expired for 31 days or more will be relocked at current market pricing with no relock fee or previous extension costs.

Rate Renegotiation

The following rate renegotiation guidelines provide parameters to help guide concessions when a significant improvement in the interest rate environment puts a loan at risk of being canceled. Engaging in a rate renegotiation concession will result in a reduction of margin. Any decision to execute a rate renegotiation should follow the Wholesale approval process for concessions.

Rate Renegotiation Guidelines

Account Executives must submit concession requests for rate renegotiations to the Lock Desk. The Lock Desk will evaluate if a concession request qualifies to be categorized as a rate renegotiation. Once the Lock Desk determines a loan meets the requirements outlined below, the Account Executive must determine if a rate renegotiation concession is appropriate for the loan.

The following provides additional information and requirements that the Lock Desk will review:

- Market improvement by at least 75 bps (or 0.75%) in price.
- Each loan is limited to one rate renegotiation.
- Rate renegotiations are permitted on Agency products only.
- The loan must have an underwriting Approved status in Octane.
- Rate renegotiations must result in a rate decrease of at least .125%.
- The borrower must receive a rate improvement that cannot be substituted for a price improvement. The rate renegotiation price cannot exceed the original price of the loan.
- The renegotiated price will be the lesser of the current locked price vs. the current market price for the renegotiated rate minus 50 bps (0.50%).

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- Any existing extension costs will be included in the renegotiated pricing.
 - The original lock expiration date will remain after a rate renegotiation.
 - Rate renegotiations are not allowed for previously relocked loans.
 - A one-time extension is allowed on a renegotiated rate lock if no previous extensions were applied. Standard extension fees will apply post-renegotiation.

Additional Information

Loan Amount Minimum

The loan amount minimum for all TPO Conventional, VA, and USDA loans is \$50,000.

Escrow/Impound Waivers

Cardinal offers impound or escrow accounts for the payment of property taxes, hazard insurance, flood insurance, other required insurance, and mortgage insurance monthly premiums. A borrower may opt to waive escrow account establishment on a conventional loan if it meets the following provisions unless required by law. Pricing adjustments may apply on escrow waivers unless prohibited by state law.

- Impound or escrow accounts may be required based on Loan-to-Value (“LTV”), state regulations, or product guidelines.
- Impound or escrow account requirements may be investor-specific on conforming and non-conforming loans.
- Cardinal offers partial escrow accounts for loans that do not require flood insurance (only property tax escrow or hazard insurance escrow).
- Escrow or impound waivers are not permitted on FHA, USDA, or VA loan transactions.
- Escrow or impound waivers are not permitted on high-priced mortgage loans.
- Loans with a subject property located within a flood zone cannot waive the requirement to establish a flood insurance escrow account. For transactions that require flood insurance, the premiums related to flood insurance must be escrowed. Escrows for these premiums may not be waived, regardless of LTV. No escrow is required if a condominium association pays flood insurance premiums, a homeowner’s association, or other groups.

State	LTV Requirements to Waive Escrow
All states excluding California and New Mexico	<ul style="list-style-type: none"> ● Primary Residence: Less than or equal to 80% ● Secondary Residence and Investment Property: Less than or equal to 80%
California	<ul style="list-style-type: none"> ● Primary Residence: Less than or equal to 90% LTV ● Refinances: Maximum 89.99% of the appraised value ● Purchases: Maximum 89.99% of the sales price ● Subordinate Financing Transactions: Maximum CLTV 80% of the appraised value <p>Note: Escrow waivers are not allowed on Fannie Mae Home Ready and Freddie Mac Home Possible and HomeOne loans if the LTV exceeds 80%.</p>
New Mexico	<ul style="list-style-type: none"> ● Primary Residence: Maximum 79.99% of the sales price or appraised value. ● Secondary Residence and Investment Property: Less than or equal to 80%

A 25 bps pricing adjustment is applied to waive tax escrows (unless waiving hazard insurance) in all states except NY and DC.

When an escrow account is established, the following state requirements will be followed to establish the number of escrow account cushion months.

Escrow Cushion Months

Refer to the table below regarding states with escrow cushion months.

If the state is:	Cushion month(s) is:
<ul style="list-style-type: none"> ● Arizona ● Vermont 	two
<ul style="list-style-type: none"> ● Nevada ● North Dakota 	zero
Montana	one
Any other state	Defined by the loan program configuration, but usually two months.

Government Refinance Products

Octane does not allow a FICO or estimated FICO when pricing government refinances loan products that do not require a credit score. Any of the following NonQualifying with No Credit Score loans or Qualifying with No Credit Score loans must have a score of zero as the estimated FICO:

- FHA Fixed & ARM High Balance Streamline NonQualifying with No Credit Score
- FHA Fixed & ARM Streamline NonQualifying with No Credit Score
- VA High Balance IRRRL NonQualifying with No Credit Score
- VA High Balance IRRRL Qualifying with No Credit Score
- VA Fixed & ARM IRRRL NonQualifying with No Credit Score
- VA Fixed & ARM IRRRL Qualifying with No Credit Score

Non-Agency

Lock Confirmation

Non-Agency lock requests must be submitted in Octane for the Lock Desk to lock. Locks submitted after the lock cut-off time will be voided. Non-Agency loans with an appraisal in the file may be locked on a 30-day term. If an appraisal is not in the file, the minimum lock term is 45 days. If the appraisal is unavailable and the lock request is for 30 days, the Lock Desk will lock the loan on a 45-day term rather than deny the lock request.

Refer to the Non-Agency Investors Information tab of the [Resource | Wholesale Lock Policy](#) for more information.

Community Lending Products Investor Information

All Community Lending products, extensions, and relock requests are subject to the investor's policy at the request submission time. Lock requests for Community Lending products submitted after the investor's lock cut-off time will not be completed and must be resubmitted. See the Community Lending Investors tab of the [Resource | Wholesale Lock Policy](#) for more information.

References

Reference List
Admin Secondary Admin
Calc Escrow Cushion Months
Calc Lender Concession Candidate
Chapter 7 Liabilities and Qualifying Ratios Conventional Lending Guide
Company Risk Management Policy
Compliance Loan Exception Policy
Compliance Natural Disaster Operations Policy
Form Rate Lock Acknowledgement
Loan Secondary
Loan Terms
Lock Extension & Effective Funding Date Procedure
Product Snapshots
Reference Pricing and Locks
Requesting a Loan Exception Review
Resource Wholesale Lock Policy
Support - The Hub
Third Party Origination Overlay Matrix
Unconfirmed Lock Requests to Begin Expiring at Midnight Daily

Revision History

Revision History is to be used as a reference only and will only provide a summary of document changes. For complete versioning, refer to the Google Docs versioning functionality, which is the system of record. Versioning has been captured as of 10.1.20.

Date	Version	Description	Approver
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12.5.22	V8	Off-Cycle Request. Updated Lock Expiration and Extension submission requirements regarding the time of submission.	Joshua Mitzner Briana Wiederspahn Jon Paul Michael Royer Erica Price
9.6.22	V7	Document recertification	Briana Wiederspahn Margaret Wright Whitney Travis Kelly Rick Gordon Erica Price
6.24.22	V6	<ul style="list-style-type: none"> • Provided grammatical and spelling revisions • Removed the restriction on 90-day locks for purchase only • Removed the words “for all divisions” under the Loan Amount Minimum section 	Joshua Mitzner Jon Paul Rick Gordon Erica Price
3.31.22	V5	Immaterial change: Removed table from Non-Agency section. Information has been moved to Non-Agency Investors Information tab of the Resource Wholesale Lock Policy .	Kirstin Gwartz Joshua Mitzner
2.17.22	V4	Added Cardinal Jumbo AUS and Cardinal Jumbo AUS Expanded investors to Non-Agency investor table on page 10. Added two new worst case pricing examples on page 6.	Josh Mitzner Jon Paul Rick Gordon
1.3.22	V3	Updated Non-Agency loan information to include the 45 day lock for requests without appraisals.	Erica Price, Rick Gordon
8.16.21	V2	Annual certification with full review. Updated policy to align with current standards.	Erica Price
12.15.20	V1	Updated information under the Confirmation Policy section	Nathan Wimsatt
4.27.20	-	See Google Version History for previous updates	Final Approver
6.14.21	-	See Google Version History for previous updates	Final Approver