
Company | Correspondent Lock Policy

TABLE OF CONTENTS

Overview	3
Lock Desk Information	3
Hours	3
Contact Information	4
Daily Pricing	4
Price Changes	4
Confirmation Policy	5
Loan Changes	5
Duplicate Locks	6
Lock Cancellation	6
Property Address	6
Geographic Lending Area	6
Credit Committee Exceptions	6
Disaster Declarations	6
Product Offerings	7
Agency Products	7
Lock Confirmation	7
Lock Periods	7
Lock Expiration	8
Lock Extensions	8
Loan Purchase Extension Fees	8
Additional Information	9
Loan Amount Minimum	9
Escrow/Impound Waivers	9
Escrow Cushion Months	11
Government Refinance Products	11
References	11
Revision History	12

Overview

Cardinal Financial Company, Limited Partnership's ("Cardinal") Correspondent Lock Policy outlines Cardinal's interest rate lock requirements for correspondent lenders to ensure compliance with interest rate locks and available lock terms. Cardinal may enter into an agreement with a correspondent mortgage lender ("Correspondent") to purchase eligible loans. Cardinal only supports Non-Delegated Correspondents: those Correspondents who originate and fund mortgage loans using their own funds and name, but Cardinal underwrites the loan.

- **Non-Delegated:** Correspondents must reasonably deliver the mortgage to Cardinal before lock expiration ("Best Effort"). A "Lock" means that the Correspondent's interest rate offered at the time of rate lock will remain the same for a specific period of time.

The Correspondent submits borrower rate Lock requests via Octane for Agency products, defined as a mortgage loan eligible to be sold to a Government-Sponsored Enterprise ("GSE").

Lock Desk Information

While most rate Lock functionality can be performed directly in Octane, the Cardinal Lock Desk ("Lock Desk") may assist in certain instances, including

- Troubleshooting pricing errors
- Addressing Lock mismatch errors
- Answering Lock Desk policy questions
- Responding to Lock void requests

Hours

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

Contact Information

Correspondents can contact the Lock Desk in the following ways:

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- **Email:** lockdesk@cardinalfinancial.com
 - **Phone:** 704-624-7031

Correspondents may also contact the Cardinal Client Advocate Team or the assigned Cardinal Account Executive with any questions.

Daily Pricing

Daily Lock pricing will be distributed and updated in Octane at approximately 10 a.m. ET Monday-Friday ("Initial Price Posting"). 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 intra-day price changes ("Price Changes"). The Cardinal Pricing Desk ("Pricing Desk") will send email notifications for Price Changes. Price Changes 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 Correspondent 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" of 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 Correspondent received the notification.

Confirmation Policy

A borrower's 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.

When the lock is confirmed in Octane, the lock is simultaneously confirmed as a Best-Effort lock with Cardinal and confirmed with the borrower, who then receives a rate lock agreement and loan disclosures via Octane.

Loan Changes

Certain loan products and program changes may subject the loan to Worst-Case Pricing, which compares the original price to the current price and uses whichever price is lower (“Worst-Case Pricing”).

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

Changing the loan term within the 30-16-year range (such as 30-year to 20-year) or 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 following table for examples of loan program changes that impact lock pricing. All changes apply and vice versa.

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

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 Cancellation

Correspondents are expected to make every effort to close all loans locked with Cardinal. Cardinal will encourage Correspondents to manage their locked pipelines actively. Cardinal shall request that the Correspondent inform Cardinal of any withdrawals so that Cardinal can cancel any locks.

Property Address

If the subject property address changes (except for minor numerical or spelling errors), the Correspondent must start a new loan in Octane with a new loan number, resulting in a new lock at the 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's 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 after approval. Refer to the [Compliance | Loan Exception Policy](#) and the [Requesting a Loan Exception Review](#) procedure for details.

Disaster Declarations

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

Product Offerings

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

Agency Products

Lock Confirmation

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

If a Correspondent submits an initial lock or relock request in error, the initial lock or relock request can only be marked void in Octane ("Voided Request") on the same day the lock was submitted. If there was any price change, specifically an intraday price improvement, the Voided Request must also identify a valid compliance reason to be approved.

For any Voided Request, the Correspondent must email the Lock Desk before 8 p.m. ET Monday-Friday. Submissions made outside of Lock Desk hours will not be accepted.

Lock Periods

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

Lock Expiration

Locks are valid until 11 p.m. ET on the date of lock expiration; at that time, the lock will expire. Locks with an expiration date on a weekend or company holiday will continue until the next business day at 11 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.

Lock Extensions

Correspondents can submit Agency 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. Correspondents must request extensions by 11 p.m. ET on the day the lock expires. If Lock Desk assistance is required to coincide with Lock Desk hours, Correspondents must request extensions by 8 p.m. ET on the day the lock expires. See [Lock Expiration](#) for more details.

Agency product lock extensions cost two bps (0.02% of the loan amount) daily. Cardinal allows a maximum of 10 rate lock extensions, which cannot exceed 30 days past the original lock duration. Lock extension requests exceeding the maximum allowed extensions are treated like the relocking of an expired lock.

Loan Purchase Extension Fees

Correspondents will be responsible for delivering the loan to Cardinal no later than the lock expiration date. A grace period of three (3) calendar days will be provided following the lock expiration date. After this period, a suspense fee of two bps (0.02% of the loan amount) per day will be assessed until the purchase date. Suspense fees will be reflected on the written purchase advice or other writing provided by Cardinal to the Correspondent setting forth the agreed-upon terms related to the purchase of the applicable loans ("Purchase Advice").

Correspondents can submit a relock request for loans with an expired or voided lock. Relocks are unavailable on discontinued products or rates no longer offered on Cardinal's current market rate sheet. Any product guideline changes to active products will apply to relocks. Non-Delegated Correspondents can relock declined loans if the denial decision is overturned.

If the Correspondent 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 lock scenario at the current market base pricing to the initial lock base pricing, including extension costs. If the current pricing is

worse than the initial lock pricing plus extension fees, any existing extension fees will be removed. In the following example, the extension fees would be removed.

Initial Lock Scenario plus extension fees	vs.	Initial Lock Scenario at Current Market
$100.500 + (-.375 \text{ extension fees}) = 100.125$		100.000

The relock period must be less than or equal to the original lock period. However, the relock price will correspond to the pricing for the original lock term. Locks that have expired for 31 days or more will be relocked at the current market pricing with no relock fee or previous extension costs.

Additional Information

Loan Amount Minimum

The Correspondent loan amount minimum for all agency 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 waive escrow account establishment on a Conventional loan if it meets the following provisions, unless otherwise 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 accounts are required for VA loans. However, waivers may be considered through the Loan Review process (see [Credit Committee Exceptions](#)) based on published criteria. Escrow or impound waivers are not permitted on High-Priced Mortgage Loans (“HPML”).
- Loans with a subject property in 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 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	• Primary Residence: Less than or equal to 80% • Secondary Residence and Investment Property: Less than or equal to 80%
California	• 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 Note: Escrow waivers are not allowed on Fannie Mae Home Ready and Freddie Mac Home Possible, and HomeOne loans if the LTV exceeds 80%.
New Mexico	• Primary Residence: Maximum 79.99% of the sales price or appraised value • Secondary Residence and Investment Property: Less than or equal to 80%

A negative pricing adjustment is applied to waive tax and/or hazard insurance escrows 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

If the state is:	Cushion month(s) is:
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• Arizona • Vermont	2
• Nevada • North Dakota	0
Montana	1
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 refinance loan products that do not require a credit score. Any of the following Non-Qualifying with No Credit Score loans or Qualifying with No Credit Score loans must have a score of 0 as the estimated FICO:

- VA High Balance IRRRL Non-Qualifying with No Credit Score
- VA High Balance IRRRL Qualifying with No Credit Score
- VA Fixed & ARM IRRRL Non-Qualifying with No Credit Score
- VA Fixed & ARM IRRRL Qualifying with No Credit Score

References

Reference List
Company Third-Party Origination Lock Policy
Compliance Loan Exception Policy
Compliance Natural Disaster Operations Policy
Product Snapshots
Requesting a Loan Exception Review
Unconfirmed Lock Request to Begin Expiring at Midnight Daily - thehub

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
10.6.25	V7	Off-cycle Request - Removal of reference to products/options not offered in this channel at this time - Updated the Overview section, removing bullets no longer needed - Updated information on page five that is no longer - Removed the last two rows of the chart on page five, no longer needed - Added a new section, Credit Committee Exceptions - Deleted Long Term Locks, Fees, and States on pages eight and nine - Minor updates made to the chart on page 10 - Updated the Additional Information section on page 11 - Deleted the first two bullets on page 13, no longer needed - Deleted the Non Agency Product Information section - Deleted the Non Agency Investor Information section, no longer needed - Updated the References section to include references added or that were not mentioned in this section - Minor grammatical and formatitng changes made to the sections updated	Ellen Clayson Jon Paul Erica Price
4.9.24	V6	Document Certification - Provided a full review of the document to ensure accuracy. - Provided minor grammatical and formatting changes to fit P&P standards.	Joshua Mitzner Briana Wiederspahn Jon Paul Joe Pepe Erica Price

		- Added detail regarding negative pricing adjustments in the Escrow/Impound Waivers section. - Added detail regarding External Investor Non-agency product lock requests in the Non-Agency Product Information section. - Added section header for Non-Agency Investor Information.	
4.10.23	V5	Document Certification Made formatting and grammatical updates where necessary to fit P&P standards.	Joshua Mitzner Briana Wiederspahn Jon Paul Joe Pepe Erica Price
12.5.22	V4	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
9.5.22	V3	Off-Cycle Request. Added updates that per locks can no longer be submitted with a pending concession request.	Joshua Mitzner Briana Wiederspahn Jon Paul Rick Gordon Erica Price
6.7.22	V2	Off-Cycle Request. Long Term Locks have been added as an Agency Product.	Joshua Mitzner Briana Wiederspahn Jon Paul Rick Gordon Erica Price
4.18.22	V1	Initial Publication.	Erica Price Rick Gordon Jon Paul Briana Wiederspahn Josh Mitzner