



On Q Financial

Correspondent Loan Lock Policy

Corporate Policy

File Name: On Q Financial Correspondent Loan Lock Policy – On Q Financial 20221007

Policy	
Department Name	Capital Markets
Document Number	CP002
Parent Policy	<i>On Q Financial Hedge Policy</i>
Related Policies	N/A
Applicable To	On Q Financial; including all divisions, departments, subsidiaries,
Approval Date	10/07/2022
Effective Date	10/07/2022

Key Responsibilities	
Reviewed by	Designated Committee
Approval Authority	Angela Wooldridge
Document Manager	Colin Murphy
Approver of Non-Material Changes	Danielle Susini

Overview

The purpose of the lock policy is to outline the parameters surrounding the eligibility and guidelines of correspondent interest rate “Lock” and change requests.

Business Hours

Monday to Friday 9:00am to 5:30pm eastern time.

Policy Statement

This policy is set forth to provide clarity, managing interest rate locking risk, and supporting all strategies listed below.

Objectives

- Bulk Bids
- Flow/BE
- Lock Confirmations
- Subject Property Changes
- Loan Product and Term Changes
- Lock Expiration Date
- Relocks
- Interest Rate Float Down

Contact List

Trade Desk – tradedesk@onqfinancial.com

Lock Desk – corrlockdesk@onqfinancial.com

Bulk Bid – Trade Desk

Pricing

Pricing is established on a loan level basis based on data variables received from an approved Seller in bid tape format. Pricing is based on the data file received from the Seller*. Current market conditions are used to calculate an asset price for each loan. Security Price (or Base Price) is derived from the MBS market. Risk-based adjusters are assigned depending on individual loan variables. Each loan will receive an all-in price on a loan level basis and/or blended price for a pool of loans.

* Pricing is subject to change upon receipt of the delivered close loan if the loan parameters do not match the original bid tape data on the date of initial bid.

Delivery Options

Loans delivered through On Q Financial's Bulk Bid – Trade Desk are delivered on a Mandatory basis and commitment options range from one to thirty days. At the time of a mandatory bid, the customer is to request the number of days needed for commitment in order to deliver into the trade. Any unfilled portion of a trade committed will be need to extended at 2 bps per day, rolled or paired out by the delivery date.

Loans should be in fundable condition upon delivery and delivered by the commitment expiration date. When the initial commitment expiration date falls on a weekend or holiday the commitment expiration date is automatically moved to the next business day.

Delivery date is the date the imaged loan file is uploaded and file submit to On Q Financial.

Suspense Fees

On Q Financial allows Correspondents ten calendar days to clear deficiencies without cost. The calendar day count begins the day following the later of the expiration date of the commitment or the date the file is initially conditioned. If the loan is not cleared for purchase by the tenth calendar day, a suspense fee will be assessed at funding. The initial suspense fee of 10bps is issued on the eleventh calendar day, and a daily suspense fee of 2bps per day for each additional day the loan is in suspense, continuing until the loan is purchased.

If Collateral was previously cleared when the final condition is uploaded, the date/time of the final condition upload will determine the end date for calculating suspense fees. If the final condition was previously uploaded, the date/time that the Collateral is cleared will determine the end date for calculating suspense fees. If the uploaded conditions are not acceptable, the suspense fee calculation will continue, based on the date the file was initially conditioned.

Ex.

If the Seller delivers the loan prior to the commitment expiration date and the loan file is reviewed and conditioned prior to expiration, then the customer will be able to utilize the days leading up to expiration, plus ten calendar days following the commitment expiration date, to clear the loan for purchase without cost.

If the Seller delivers the loan on the commitment expiration date and the loan file is then conditioned two days later, then the customer will be allowed ten days from the date initially conditioned to clear the loan for purchase.

<u>S</u>	<u>M</u>	<u>T</u>	<u>W</u>	<u>R</u>	<u>F</u>	<u>S</u>
					1	2
3	4	5 File Delivered	6 Lock Exp	7 Initial Conditions	8 1	9 2
10 3	11 4	12 5	13 6	14 7	15 8	16 9
17 10 End of free days	18 -10bps suspense fee	19 -2bps	20 -2bps	21 -2bps	22 -2bps Last condition received or Collateral Clear Total Fee 18bps	23

The initial and daily suspense fee amounts published are subject to change without notice.

Rolling

Rolling a Commitment may be most appropriate if a loan(s) will not make the designated delivery date, but will eventually be delivered. The cost of this option is market related. The customer should contact the On Q Mandatory trade desk at TradeDesk@onqfinancial.com to initiate the roll and the corresponding market-based price adjustment will be provided.

Tolerance and Pair Offs

Tolerance: Mandatory Program offers 2% tolerance.

Pair offs: A pair off charge will apply if the current market is higher than the current Commitment Price. The charge is based on market movement against the remaining balance of the commitment. On Q will not remit for negative market movement pair offs.

The 2% tolerance is not considered in the pair off process.

Trade Desk Operating Hours

The Trade desk will begin accepting bid tapes at 9am EST. Cutoff time is 3pm EST.

Send bid tapes to TradeDesk@onqfinancial.com. Mandatory Trade Desk will follow the SIFMA Holiday Schedule.

Flow/BE

Pricing

Pricing is established in the form of a Best Effort rate sheet and is subject to change throughout the day, depending on market movement. Morning rate sheets will be updated between 9:45am and 11:00am Eastern Standard Time (EST).

Locking

Approved Correspondent Sellers have the availability to submit lock requests, lock extensions and change requests through use of On Q Financials Lock Request Form and email directly to corrlockdesk@onqfinancial.com. Lock confirmations will be emailed back to the originating address.

Any loan locked via rate sheet pricing will be considered as a Best Effort commitment unless otherwise requested by the Correspondent Seller. If a single-loan mandatory commitment is desired, please request directly from corrlockdesk@onqfinancial.com at the time of initial lock. The On Q Financial Lock Desk business hours are Monday to Friday, 9am-5pm EST time. Off sheet pricing requests should be submitted via email to the Lock Desk no later than 4pm EST.

Delivery Options

A Best Effort commitment is taken out on an individual loan basis for 15, 30, 45 or 60 days. The customer is to request the number of days needed at the time of lock in order to deliver the loan.

Loans should be in fundable condition upon delivery and delivered by the commitment expiration date. When the initial commitment expiration date falls on a weekend or holiday the commitment expiration date is automatically moved to the next business day.

Rolling (Extending) fixed and adjustable rate products are permitted. Extensions must be requested prior to the commitment expiration date. The cost is 2bps per day, for a maximum of 30 days*.

Delivery date is the date the imaged loan file is uploaded and submit to On Q Financial.

* Extension costs are subject to change.

Suspense Fees

On Q Financial allows Correspondents ten calendar days to clear deficiencies without cost. The calendar day count begins the day following the later of the expiration date of the commitment or the date the file is initially conditioned. If the loan is not cleared for purchase by the tenth calendar day, a suspense fee will be assessed at funding. The initial suspense fee of 10bps is issued on the eleventh calendar day, and a daily suspense fee of 2bps per day for each additional day the loan is in suspense, continuing until the loan is purchased.

If Collateral was previously cleared when the final condition is uploaded, the date/time of the final condition upload will determine the end date for calculating suspense fees. If the final condition was previously uploaded, the date/time that the Collateral is cleared will determine the end date for calculating suspense fees. If the uploaded conditions are not acceptable, the suspense fee calculation will continue, based on the date the file was initially conditioned.

Ex.

If the Seller delivers the loan prior to the commitment expiration date and the loan file is reviewed and conditioned prior to expiration, then the customer will be able to utilize the days leading up to expiration, plus ten calendar days following the commitment expiration date, to clear the loan for purchase without cost.

If the Seller delivers the loan on the commitment expiration date and the loan file is then conditioned two days later, then the customer will be allowed ten days from the date initially conditioned to clear the loan for purchase.

<u>S</u>	<u>M</u>	<u>T</u>	<u>W</u>	<u>R</u>	<u>F</u>	<u>S</u>
					1	2
3	4	5 File Delivered	6 Lock Exp	7 Initial Conditions	8 1	9 2
10 3	11 4	12 5	13 6	14 7	15 8	16 9
17 10 End of free days	18 -10bps suspense fee	19 -2bps	20 -2bps	21 -2bps	22 -2bps Last condition received or Collateral Clear Total Fee 18bps	23

The initial and daily suspense fee amounts published are subject to change without notice.

Tolerance and Pair Offs

Tolerance: On Q Financial Mandatory Program offers a 2% tolerance.

Pair offs: A pair off charge will apply if the current market is higher than the current Commitment Price. The charge is based on market movement against the remaining balance of the Commitment.

On Q will not remit for negative market movement pair offs.

The 2% tolerance is not considered in the pair off process.

Lock Confirmations

Lock confirmations are sent via email to Correspondents upon Lock Desk confirming the lock.

Loan Product and Term Changes

Repricing for loan product and term changes on existing locked loans are product specific. All previous extensions, relock fees, and/or pricing adjustments from previous product or term will be reapplied to the new product and term change.

Loan product change request will be managed as follows:

Change From	Change To	Pricing	Lock Expiration
All Conventional/Government	All Conventional/Government	Worse Case pricing between pricing on new product on most recent lock date vs. new product pricing on date of original lock	Existing expiration date

Subject Property Change / Address

A lock is only valid on the original property; a change in property address will require a new lock and may be subject to Worse Case Pricing.

Lock requests cannot be made on properties that are TBD (To Be Determined).

Lock Expiration Date

When the initial lock expiration date falls on a weekend or holiday the lock expiration date is automatically moved to the next business day.

Loans that expire will be subject to On Q Financial Relock policies.

Relock

Relock Fee = 0.375%

Relocks may only be submitted on expired/canceled locks. If a loan has been expired/canceled for >30 days it is considered a new lock, and pricing will be based on current market. Loans that have been expired for ≤30 days can be relocked for 15, 30, 45, or 60 days. Relocks for loans expired for ≤30 days are subject to worse case pricing plus current extensions and applicable relock fees. Loans may only be relocked one time.

If at the time of relock, the rate has increased, worse of pricing between existing price and current price on the new rate lock will apply.

If at the time of relock the product is changed, worse of pricing between the existing price on the original product and current price on the new product will apply.

Interest Rate Float Down

For On Q products, the interest rate must improve by 0.250% (from original rate). All lock extensions will be included into the float down final price. Pricing will not improve, and will be capped at current price minus 37.5 bps or original rate lock price whichever is lower. The expiration date will be the current expiration date or 15 days from the date of the float down, whichever is sooner. Correspondents may submit a float down request from 9:30am until 4:00pm eastern time to the lock desk via email per contact list in this policy.