

Index Lock FAQs

Description

What is an Index Lock?

Index Lock gives existing borrowers the opportunity to lock the most volatile part of the coupon (the Treasury index) any time after a signed application has been delivered to Freddie Mac.

After Index Lock, the borrower may complete the early rate-lock (ERL) process to lock the spread quickly or follow our standard delivery execution to lock the spread at completion of full underwriting.

Eligibility

Who is eligible for the Index Lock offering?

- Borrowers that have had a loan purchased by Freddie Mac within the last 24 months.
- First-time Freddie Mac borrowers if certain conditions are met.

Benefits and Process

What are the benefits of an Index Lock?

Index Lock allows borrowers to quickly lock the Treasury index, mitigating interest rate volatility. It also creates greater efficiencies for the Optigo® lender and their borrower by requiring less documentation to lock than a preliminary underwriting package.

Since Freddie Mac is locking the index, but not the spread, when will the borrower know their all-in rate?

Since Freddie Mac holds the under application spread during the spread hold period, the borrower will have an indication of the all-in rate at Index Lock. The spread is not subject to market grid movements, but may adjust based on changes to loan terms, property, borrower or certain loan document modifications or other transaction specific items not considered at quote issuance. If the borrower chooses to early rate-lock, they will know their all-in rate subsequent to a review and approval of a preliminary underwriting package. If the borrower chooses the standard delivery process, they will know their all-in rate at commitment.

What is the process of locking the Treasury index?

If a borrower would like to pursue an Index Lock, the Optigo lender must request a quote from Freddie Mac by submitting a Loan Submission Template (LST) and Narrative to Freddie Mac Production, return a signed application reflecting the quoted loan terms, request an Index Lock Agreement, then return the signed Index Lock Agreement to Freddie Mac Production. Once complete, the loan may be index locked. In the absence of an Index Lock, the Treasury index and spread will be locked concurrently at rate-lock.

If a borrower notices Treasury volatility while following the standard delivery rate-lock process, can their lender lock the Treasury index during underwriting?

Yes, provided the borrower meets the eligibility criteria and remits the good faith deposit to the Optigo lender. Of note, a quote with an Index Lock included must be requested from Freddie Mac beforehand to ensure the spread accounts for an Index Lock execution.

Can the Index Lock be transferred from one property to another?

No, the Index Lock applies solely to the property or properties identified in the quote. It is not transferable to other properties.