

Redwood Lock Policy Change – Aged Loans

We have recently experienced an increase of seasoned loans that have been committed and delivered to Redwood. Redwood defines a seasoned loan as a loan that is locked with Redwood after the note date. We have evidence that seasoned loans have higher fallout percentages. This has impacted our service levels and increased our hedging expenses.

For those reasons we are supplementing our current seasoned loan lock policy. Starting for loans locked on, or after, March 15th, 2016, Redwood will enforce a one-way pair-off fee due Redwood for Jumbo loans locked after the note date if the loan is determined to be ineligible for purchase by Redwood. The one-way pair-off fee due Redwood will be calculated using the difference in TBA pricing between the lock date and the date Redwood determines a loan is ineligible for purchase in the event that the Market Price is higher on the date Redwood determines a loan is ineligible for purchase than the Market Price on the lock date. For the avoidance of doubt, in the event the Market Price is higher on the lock date than the Market Price on the date Redwood determines a loan is ineligible for purchase, no pair-off fee for that particular loan will be due Redwood. The TBA coupon used will be determined by taking the loan's note rate less 37.5 bps and rounded down to the nearest TBA coupon.