



TO: Correspondent Lenders

**FROM: Angela Breidenbach, Operations Manager
Jason Kershaw, Lead Reviewer**

DATE: October 1, 2012

RE: Lock Extension Policy Review

Although it is the intention of each of our correspondent partners to deliver on-time perfect files, we understand that it is easy to get in a hurry and overlook basic loan policies and procedures, or forget to follow up on outstanding conditions.

It is important to remember that all Cornerstone correspondent loans are sold direct to the agencies and are hedged with them at the time of lock. Timely delivery of our pools is essential in allowing us to offer competitive rates and other benefits (i.e. minimal overlays).

Therefore, we would like to take this opportunity to review our lock extension policy, and to remind you that, from time to time, we may request your help in clearing an after purchase condition within a short time frame.

PRE DELIVERY LOCK EXTENSION POLICY

If a loan will not be delivered by the lock expiration date, the following extension policy applies:

- 1st seven day extension
 - .15 bps if market has worsened
 - no charge if market has improved
- 2nd seven day extension
 - .15 bps
- 3rd seven day extension
 - .20 bps
- 4th seven day extension
 - .20 bps

POST DELIVERY LOCK EXTENSION POLICY

If loan is delivered on time, but has purchase deficiencies (conditions). Lender has the GREATER of lock expiration or three business days from suspension to clear **all** deficiencies (**no exceptions**). If conditions are not uploaded into the secure portal by **end of business of the third day**, the following extension policy applies:

- 1st seven day extension
 - .15 bps if market has worsened
 - no charge if market has improved
- 2nd seven day extension
 - .15 bps
- 3rd seven day extension
 - .20 bps
- 4th seven day extension
 - .20 bps

It is important to remember that even though Cornerstone effectively “stops the clock” when a loan is delivered, we have up to five business days from when the loan is imaged to review for purchase. If there are deficiencies found, and the conditions are not cleared within three business days, lender can be subject to cumulative extension fees. The following example illustrates this point:

- Loan expires on 10/1/12.
- Loan uploaded and released on 10/1/12
- Loan imaged for review the morning of 10/3/12
- Loan reviewed on 10/10/12 (this is a full five days from when the loan was imaged)
- CLD finds deficiencies and sends condition sheet to correspondent partner on 10/10/12.
- If the correspondent partner uploads conditions no later than close of business on 10/15/12, then loan is cleared for purchase and no extension fees are assessed.
- If correspondent lender does not upload conditions by close of business of the third day, then cumulative lock extension fees apply. In this example, lender would be assessed 3 seven day lock extensions in order to bring loan back into agency loan delivery expiration policy (Lock expired 10/1. First extension to 10/8, Second extension to 10/15. Third extension to 10/22).

POST PURCHASE EXTENSION POLICY

Each loan submitted for purchase to Cornerstone is subject to the review of over 375 data points. While we do our best to catch any deficiencies, from time to time, you may be contacted with an urgent OFC condition e-mail. Generally, these loans are already in a pool and a data point has been identified as incorrect. Even one incorrect data point can crash an entire pool. This is costly. Not only to Cornerstone, but also to our correspondent partners; as the quality of our pools affects the price and perks we are able to offer.

Therefore, if you receive an urgent e-mail with a short time frame to cure, it is because we are trying to avoid extension fees from the agencies themselves. In these situations, we will do everything we can to work with our partners. However, if the deficiency was caused by an oversight during the origination, processing or underwriting (delegated) of the loan, the correspondent lender will be responsible for any extension fees incurred after purchase and will be invoiced separately from the net purchase amount of the loan.

RE-NEGOTIATION POLICY

The following is a review of our re-negotiation policy and procedure:

- Price (amount paid to correspondent lender) must be better by at least one full point.
- Loan needs to be within 10 calendar days of closing. **If loan does not close within this time frame, renegotiated rate will be lost.**
- Renegotiated **rate to borrower** will be based on current 60 day price minus .25%; not to exceed current price to correspondent.
- Must lower the borrower's rate by at least .125%
- Extension fees, and all other price adjustments, will still apply.

Please call the Pricing Hotline at 855-683-6683, or e-mail cornerstoneclld@houseloan.com in order to renegotiate. If you have a loan that does not quite meet the above criteria, call or e-mail the Pricing Hotline for options.

Please feel free to contact us with questions pertaining to this e-mail as follows: Angela Breidenbach abreidenbach@houseloan.com or Jason Kershaw jkershaw@houseloan.com.

As always, your business is greatly appreciated!