



# State of New York Mortgage Agency

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By E-mail

October 25, 2011

**RE: Revised SONYMA Loan Extension and Rate Re-Lock Policy  
Seller's Guide Bulletin #5-2011**

Dear Participating Lender:

Effective immediately, the State of New York Mortgage Agency ("SONYMA") is modifying its loan extension policy at the request of the SONYMA Advisory Council. The Council expressed concerns that SONYMA's existing policy created disclosure timing issues for Lenders and uncertainty for Borrowers, most notably during increasing or unstable rate environments.

The revised policy requires all Lenders to submit a Loan Extension and Rate Re-Lock Request Form **and** the required supporting documentation *on or before* the initial rate expires for any loan not expected to close within the initial rate lock period. Upon approval of the request, the loan will be extended and the interest rate re-locked for a period of **45 days** in accordance with the chart below. Further, effective November 15, 2011, Lenders who submit the request *after* the rate expires will be subject to a 0.25% penalty. Instructions for determining the re-locked interest rate are outlined in the chart below.

In addition to the above referenced changes, SONYMA is also making a new option available. In the event a Lender or Property Seller is responsible for delays resulting in a rate increase for the Borrower, SONYMA will allow the Lender or Property Seller to pay a penalty to reduce the Borrower's interest rate. The revised policy applies to all loans not closed as of the date of this letter.

## **Loan Extension and Rate Re-Lock Policy**

Loans that will not close within their initial lock-in period (100 days for Short-term Lock-ins and 240 days for Long-term Lock-ins) must be re-locked in accordance with the below policy:

<b>Date SONYMA Receives Extension Request*</b>	<b>Maximum Extension (# of Days)*</b>	<b>Re-Locked Interest Rate**</b>	<b>Lender's Penalty</b>
<b>On or before</b> Initial Rate or Re-Locked Rate Expires	45 days from date of Extension Request	Higher of: (1) the initial lock-in rate or (2) the rate available on the date the extension is requested.	N/A
<b>After</b> Initial Rate or Re-Locked Rate Expires	45 days from date of Extension Request	Higher of: (1) the initial lock-in rate, (2) the rate available on the date the extension is requested.	0.25% of Loan Amount (deducted from Lender's Loan Funding Proceeds)

\*Extension request date is the date SONYMA receives Loan Extension and Rate Re-Lock Request Form **and** all required supporting documentation.

\*\*If more than one extension is necessary, the closing rate will be the highest of: (1) the initial lock-in rate; (2)

any previously re-locked rate; or (3) the rate available on the most recent extension request date.

If a Borrower's initial interest rate expires and the loan must close at a higher rate, as long as the extension request is made in a timely manner, this revised policy will eliminate the timing issue Lenders experienced in the past surrounding the truth-in-lending disclosure. The new policy will also *eliminate* the Closing Interest Rate Calculator which will be described in more detail below.

Attached are examples of the new policy.

#### **Procedure to Request Loan Extensions and Rate Re-Lock**

The procedure to request a loan extension and rate re-lock from SONYMA, will be as follows:

1. Lenders must submit the attached revised Loan Extension and Rate Re-Lock Request Form (SONYMA Form #235/8-11) along with appropriate documentation to support the reason for the extension request.
2. The re-locked interest rate will be determined on the date SONYMA receives Form 235 (and all acceptable supporting documentation).
3. SONYMA will review the request and, if approved, will process the extension by modifying the expiration date of the loan and, if applicable, will change the interest rate on Lender Online (LOL) to the re-locked rate.
4. Lenders will be able to view the revised expiration date and re-locked interest rate on Lender Online.

Since SONYMA will be updating LOL to reflect re-locked interest rates, SONYMA is eliminating the Closing Interest Rate Calculator.

#### **Impact of Policy Change on Pipeline Loans**

SONYMA has taken the liberty of extending all loans in our pipeline where the loan has expired and we have no record of the loan closing. Each loan was extended by 45 days using the new policy described above. We also changed the interest rate, when applicable. Under separate cover a list of the loans with the new extended interest rate and expiration date will be provided to the Lender. **Please review this list immediately and notify Marie Cammarata at (212) 872-0401 or mcammarata@nyshcr.org if any loans have already closed and at what interest rate.**

For loans that have not been extended or have not expired, lenders should follow the new extension policy.

#### **New Option to Retain Original Interest Rate**

In the event a Borrower's initial rate expires and the Lender or Property Seller is responsible for delays resulting in a rate increase, the Lender or Property Seller may pay a penalty to reduce the Borrower's rate to the original locked rate (however, such reduction can be no more than 0.50%). The new rate will be locked for a period of 45 days and will expire 45 days from the Extension Request Date. **Under NO circumstance will SONYMA allow Borrower(s) to pay a penalty to reduce the rate.**

Lenders should utilize SONYMA's current penalty schedule for "Loans Reserved or Closed at an Incorrect Interest Rate." The schedule is summarized below:

Interest Rate Differential	Penalty as % of Loan Amount
0.125%	0.5%
0.25%	1.0%
0.375%	1.5%
0.50%	2.0%
More than 0.50%	NOT AVAILABLE

**Note:** When a Lender fails to reserve/register a loan on time and the delay results in a rate increase, Lenders may pay a penalty based upon the above Penalty Schedule to buy-down the rate.

**Procedure for Requesting Permission to Pay a Penalty in order to Reduce an Interest Rate**

If a Property Seller agrees to pay the penalty, an Addendum to the purchase offer must be submitted to Genworth/MIF for review, with a copy to SONYMA. Lenders are reminded that interested party contributions may not exceed a total 3% of the purchase price for LTV's exceeding 90% (maximum of 6% for LTV's of 90% or less).

If a Lender agrees to pay the penalty, the Lender must submit a written request to Marie Cammarata at [mcammarata@nyshcr.org](mailto:mcammarata@nyshcr.org). The request must include the Borrower's name, SONYMA loan #, property address, the interest rate requested, and the penalty amount. Please note that the penalty amount will be deducted from the Lender's loan funding proceeds.

**Form Changes**

As a result of this policy change, SONYMA has revised the following two forms:

Form Name and Number	Required Use/Effective Date	Comments
<ul style="list-style-type: none"> <li>Loan Extension and Rate Re-Lock Request Form (Form #235/8-11)</li> </ul>	Immediately	Replaces Commitment Extension Request Form (#235/5-08). Incorporates revised loan extension and rate re-lock policy.
<ul style="list-style-type: none"> <li>Interest Rate Option Form (Form #D3/8-11)</li> </ul>	Available for immediate use; required for all loans reserved on 12/1/11 and later.	Incorporates revised loan extension and rate re-lock policy.

Both of these forms can be accessed on our website (<http://www.nyhomes.org/Lenders/Lenders/ApplicationandClosingForms.htm>).

If you have any additional questions, please contact Marie Cammarata at (212) 872-0401 or [mcammarata@nyshcr.org](mailto:mcammarata@nyshcr.org), or a SONYMA Relationship Manager [Gail Kresge at (917) 576-8250 ([gkresge@nyshcr.org](mailto:gkresge@nyshcr.org)) or Lynn Morris at (917) 613-1465 ([lmorris@nyshcr.org](mailto:lmorris@nyshcr.org))].

Sincerely,



George M. Leocata  
Senior Vice President  
Single Family Programs

## EXAMPLES OF SONYMA'S REVISED LOAN EXTENSION POLICY

**Rate Change Dates** (Note: The below rate information is fictitious.)

Effective Date	Interest Rate
January 15	4.75%
April 20	5.00%
June 10	4.875%

<p><b>Example 1</b>            Loan Reservation Date: January 19            Locked Interest Rate: 4.75%            Lock Period: 100 days            Original Loan Expiration Date: April 28</p> <p>Extension Request Date: April 18            New Interest Rate: 4.75%            New Expiration Date: June 1</p> <p><b>Explanation:</b> Extension was requested <i>prior to</i> the Original Loan Expiration Date and before any subsequent rate change. Borrower receives a 45 day extension from the Extension Request Date and will re-lock the original rate for another 45 days from the Extension Request Date.</p>	<p><b>Example 2</b>            Loan Reservation Date: February 1            Locked Interest Rate: 4.75%            Lock Period: 100 days            Original Loan Expiration Date: May 11</p> <p>Extension Request Date: May 5            New Interest Rate: 5.00%            New Expiration Date: June 18</p> <p><b>Explanation:</b> Extension was requested <i>prior to</i> the Original Loan Expiration Date. Borrower receives a 45 day extension from the Extension Request Date. Because the Extension Request Date occurred after a rate change, Borrower receives the higher of the initial locked rate or the rate available on the Extension Request Date.</p>
<p><b>Example 3</b>            Loan Reservation Date: February 1            Locked Interest Rate: 4.75%            Lock Period: 100 days            Original Loan Expiration Date: May 11</p> <p>Extension Request Date: May 25            New Interest Rate: 5.00%            New Expiration Date: July 8</p> <p><b>Explanation:</b> Extension was requested <i>after</i> the Original Loan Expiration Date. <i>Lender is assessed a 0.25% penalty.</i> Borrower receives a 45 day extension from the Extension Request Date and receives the higher of the initial locked rate or the rate available on the Extension Request Date.</p>	<p><b>Example 4</b>            Loan Reservation Date: April 25            Locked Interest Rate: 5.00%            Lock Period: 100 days            Original Loan Expiration Date: August 2</p> <p>Extension Request Date: July 25            New Interest Rate: 5.00%            New Expiration Date: September 7</p> <p><b>Explanation:</b> Extension was requested <i>prior to</i> the Original Loan Expiration Date. Borrower receives a 45 day extension from the Extension Request Date. Borrower receives the higher of the initial locked rate or the rate available on the Extension Request Date.</p>

<p><b>Example 5</b>  Loan Reservation Date: January 22  Locked Interest Rate: 4.75%  Lock Period: 100 days  Original Loan Expiration Date: May 1</p> <p><b>First</b> Extension Request Date: April 28  New Interest Rate: 5.00%  New Expiration Date: June 11</p> <p><b>Second</b> Extension Request Date: June 11  New Interest Rate: 5.00%  New Expiration Date: July 25</p> <p><b>Explanation:</b> Borrower needed two extensions to close the loan. The <b>first</b> extension was requested <i>prior to</i> the Original Loan Expiration Date. Borrower receives a 45 day extension from the Extension Request Date. Borrower receives the higher of the initial locked rate or the rate available on the Extension Request Date.</p> <p>The <b>second</b> extension was requested <i>on the expiration</i> date of the first re-lock period. Borrower receives a 45 day extension from the second Extension Request Date. Borrower receives the <b>highest of</b> the initial locked rate, any previously re-locked rate, or the rate available on the current Extension Request Date.</p>	<p><b>Example 6</b>  Loan Reservation Date: January 22  Locked Interest Rate: 4.75%  Lock Period: 100 days  Original Loan Expiration Date: May 1</p> <p><b>First</b> Extension Request Date: April 28  New Interest Rate: 5.00%  New Expiration Date: June 11</p> <p><b>Second</b> Extension Request Date: July 28  New Interest Rate: 5.00%  New Expiration Date: September 10</p> <p><b>Explanation:</b> Borrower needed two extensions to close the loan. The <b>first</b> extension was requested <i>prior to</i> the Original Loan Expiration Date. Borrower receives a 45 day extension from the Extension Request Date. Borrower receives the higher of the initial locked rate or the rate available on the Extension Request Date.</p> <p>The <b>second</b> extension was requested <i>after</i> the expiration date of the first re-lock period. <i>Lender is assessed a 0.25% penalty.</i> Borrower receives a 45 day extension from the current Extension Request Date. Borrower receives the <b>highest of</b> the initial locked rate, any previously re-locked rate, or the rate available on the current Extension Request Date.</p>
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**LOAN EXTENSION & RATE RE-LOCK REQUEST FORM**

**Fax to 917-274-0426**

**NOTE: If submitting this request on a Thursday, it must be faxed no later than 5:00 PM EST.**

Lender: \_\_\_\_\_ Today's Date: \_\_\_\_\_

Contact Name: \_\_\_\_\_ Telephone #: \_\_\_\_\_ E-mail Address: \_\_\_\_\_

**LOAN INFORMATION**

SONYMA Loan # \_\_\_\_\_ Loan Amount: \$ \_\_\_\_\_

Applicant(s) Name: \_\_\_\_\_

Property Address: \_\_\_\_\_

**Program:**  Low Interest Rate  Construction Incentive  ATD  Other: \_\_\_\_\_

**Lock-in Type:**  Short-Term Lock-in  Long-Term Lock-in **DPAL Utilized:**  Yes  No

Initial Interest Rate \_\_\_\_\_% Initial Loan Expiration Date: \_\_\_\_\_ Today's Lock-in Interest Rate: \_\_\_\_\_%

**Please enter the following information only if the interest rate was previously re-locked:**

Previously Re-Locked Interest Rate: \_\_\_\_\_% Previously Extended Loan Expiration Date: \_\_\_\_\_

**LOAN EXTENSION AND INTEREST RATE RE-LOCK REQUEST**

We hereby request that the Loan Expiration Date for the above-referenced mortgage application be extended for a period of **45 days** from Today's Date. We understand that SONYMA, at its sole discretion, will decide on the validity of this extension request. We also understand that if this request is submitted *after the loan has expired* (after the Initial Loan Expiration Date, or if applicable the Previously Extended Loan Expiration Date), the Lender will be charged a penalty equal to 0.25% of the Loan Amount. The extension is necessary because:

\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_

**Attached is documentation from an appropriate source to support our request (appropriate sources include: attorney, title company, builder, etc.).**

**If SONYMA denies the extension request, SONYMA will not purchase the mortgage loan.**

If SONYMA approves the extension request, the Interest Rate equal to the **highest** of the (a) Initial Lock-in Interest Rate, (b) Today's Lock-in Interest Rate, or (c) the Previously Re-Locked Interest Rate (if applicable), shall apply and the loan will expire **45 days** from Today's Date.

Date: \_\_\_\_\_

Certified by: \_\_\_\_\_

(Lender Authorized Representative)

**Instructions to Lender: Please access Lender Online (LOL) 48 hours after submitting this form to check the status of Lender's request. If the request is approved, please make sure your records match the re-locked interest rate and loan expiration date reflected on LOL. If the interest rate has increased, Lender is responsible to ensure higher rate is acceptable to the pool insurer.**



## INTEREST RATE OPTION FORM

Lender: \_\_\_\_\_

SONYMA Loan # \_\_\_\_\_ Loan Amount: \$ \_\_\_\_\_

I/We, \_\_\_\_\_ [the "Borrower(s)"],  
the undersigned, have applied to the State of New York Mortgage Agency ("SONYMA") for mortgage financing,  
through the above named Lender, to purchase the property located at \_\_\_\_\_  
\_\_\_\_\_ (the "Residence").

### **SONYMA INTEREST RATE LOCK-IN POLICY**

I/We understand that SONYMA's interest rate lock-in policy is as follows:

- The lock-in date is the date the Lender reserves my/our application with SONYMA. The interest rate I/we receive will be the rate that is available on the lock-in date for the SONYMA mortgage program under which I/we have applied.
- To close at the locked interest rate, my/our loan must close within one hundred days (100) days of the lock-in date. (If the home I/we am/are purchasing is proposed construction, or under construction or rehabilitation, my/our loan must close within two hundred and forty (240) days of the lock-in date.)
- If my/our loan does not close within this period, the Lender must request an extension (maximum of 45 days) from SONYMA. If the loan extension request is approved by SONYMA, the loan will close at an interest rate that is the higher of the initial Lock-in rate or the SONYMA program rate in effect on the day the request is submitted.
- If more than one extension is needed (and is approved by SONYMA), I/we will receive the highest of: (i) the initial lock-in interest rate, (ii) any previously re-locked rate, or (iii) the SONYMA rate in effect on the day the newest request is submitted.

### **LOCK-IN DEPOSIT**

I/We understand that I/we am/are liable to SONYMA, as of the date my/our loan is reserved with SONYMA, for payment of a lock-in deposit in the amount of one percent (1.0%) of the Loan Amount referenced above. The Lender will collect this lock-in deposit within fourteen (14) calendar days from the lock-in date. If I/we cancel, withdraw, or make material misrepresentations on application, I/we will forfeit the one percent.

### **DOWN PAYMENT ASSISTANCE LOAN**

I/We understand that SONYMA offers a Down Payment Assistance Loan ("DPAL"), for which I/we am/are eligible if I/we qualify for SONYMA mortgage financing. I/we hereby understand that the SONYMA DPAL:

- Provides down payment assistance in an amount up to the greater of **\$3,000** or **3%** of the home purchase price, but in no event can the assistance exceed \$15,000. Bears no interest (0%) and requires no monthly payments.
- Will be **forgiven** after ten years provided I/we live in the Residence and make my/our regularly scheduled monthly mortgage payment. If I/we pay my/our SONYMA mortgage in full during the first 10 years of the purchase of the Residence, a portion of the DPAL may have to be repaid. Every month the SONYMA loan remains outstanding and the Residence is owned and occupied as my/our principal residence, 1/120th of the DPAL will be forgiven.
- Requires me/us to be charged an interest rate on the SONYMA loan that is 0.375% higher than the interest rate currently being offered for the SONYMA program under which I/we am/are applying.\*
- Is more fully described in the DPAL Recapture Notification (SONYMA Form #D4) which I/we will be required to sign if I/we opt to utilize a DPAL.

\*Please note the above DPAL Rate Adjustment is not applicable for the Homes for Veterans Program, the Habitat for Humanity Mortgage Program, or the purchase of a newly constructed Energy-Star labeled home.

I/We have reviewed the above SONYMA Down Payment Assistance Loan parameters and have chosen to:

Accept to use DPAL for my/our home purchase under the terms specified below and as specified in the DPAL Recapture Notification (Form #D4).  
**Interest Rate:** \_\_\_\_\_ **Lock-in Period:** \_\_\_\_\_ **Days**

Decline to use DPAL for my/our home purchase. My/Our interest rate and lock period are specified below.  
**Interest Rate:** \_\_\_\_\_ **Lock-in Period:** \_\_\_\_\_ **Days**

### **DPAL Change Option (Available only until the loan is approved by SONYMA)**

By checking this box, I/we am/are exercising my/our one-time option to change to the selection above. I/We understand that if I/we decline to use DPAL for my/our home purchase, any additional funds necessary to close my/our loan must be derived from a verifiable source acceptable to SONYMA. I/We have executed revised loan documents reflecting this change.

**Initial:** \_\_\_\_\_ **Date:** \_\_\_\_\_

\_\_\_\_\_  
Borrower

\_\_\_\_\_  
Date

\_\_\_\_\_  
Borrower

\_\_\_\_\_  
Date