

World's Prepayment Penalty Policy

(Effective 11-27-2003)

World will charge 2% of the (remaining loan balance less \$5000) if a borrower pays off the loan in full in the first three years. Also during the first three years, if a borrower prepays in excess of \$5000 in any calendar month, they will have a prepay charge equal to 2% of the amount over the \$5000 for that month. Each month a borrower can make additional principal payments of \$5000 maximum each calendar month without a prepayment penalty. The prepayment fee is eliminated after three years.

There are a few ways to avoid the prepayment penalty as follows:

- 1) If the borrower pays off the loan due to a refinance, the prepay can be refunded if the borrower refinances with World and meets the following conditions:
 - a. New loan amount at least the same as the previous loan payoff.
 - b. New margin at least the same as the previous margin.
 - c. New loan must have prepay clause.
 - d. No lender paid broker compensation on the new loan.
 - e. No fixed rate conversion option on the new loan
 - f. New loan must be Arm, Marm-36, or Pick a Payment loan.

- 2) If the borrower sells the property and incurs the prepay, it can be refunded under the following conditions:
 - a. Client purchases a new home within 180 days and uses World loan.
 - b. Purchaser of property gets a new World loan.
 - c. In either case a or b, the conditions in (1, a-f) must be met as well.

Prepayment waiver conditions are subject to change. Please verify with your loan representative.

Prepayment Penalty Example

Original Loan Amount:	\$300,000
Original Margin:	3.40%
Index:	2.08%
Fully Indexed Rate:	5.48%
Full 30Yr P&I Payment:	\$1,699.60

Payment #	Payment Made	Overpayment	Penalty Due	Comment
1	\$1,699.60	\$0	\$0	No extra principle paid.
2	\$6,699.60	\$5,000	\$0	Allowable \$5,000 extra in principle. No penalty.
3	\$7,699.60	\$6,000	\$20	\$1,000 over the limit on principle payment. Penalty = 1000 x 2% = \$20.00

Assume that after the above payments, the outstanding balance on the loan is \$293,000 (approximate).

If the borrower wants to pay of the loan in full in the fourth month, the prepayment penalty would be calculated as follows:

(Remaining Loan Balance - 5000) X 2% = Prepayment Penalty Due.

(293,000 – 5000) X 2% = **\$5,760**.

This client could avoid the prepayment penalty as follows:

- 1) If the borrower pays off the loan due to a refinance, the prepay can be refunded if the borrower refinances with World and meets the following conditions:
 - a) New loan amount at least 293K
 - b) New margin at least 3.4%
 - c) New loan MUST have prepay clause
 - d) No lender paid broker compensation on the new loan.
 - e) No fixed rate conversion option on the new loan
 - f) New loan must be Arm, Marm-36, or Pick a Payment loan.

- 2) If the borrower sells the property and incurs the prepay, it can be refunded under the following conditions:
 - a) Client purchases a new home within 180 days and uses World loan.
 - b) Purchaser of property gets a new World loan.
 - c) In either case a or b, the conditions in (1), above, must be met as well.