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| **The Importance of Locking Your Mortgage Rate**    **Here are some facts you should consider when asking yourself if you should lock the interest rate on your mortgage loan.**   1. Mortgage rates are tied to movements in the financial markets. 2. The financial markets are subject to volatile movement on a weekly, even daily basis; therefore, there are no guarantees on where mortgage rates will be at any given time. 3. When a homebuyer applies for a mortgage loan, the interest rate quoted at the initial application may not be available by the closing date. Most loan applicants would prefer that mortgage rates do move down during this period. If mortgage rates rise, the applicant's payment will also be higher than previously thought. 4. If your budget is already stretched to the limit when you apply for the loan, locking the interest rate could be a wise move. 5. An Example: A borrower that applies for a 30 year mortgage loan of $100,000 when interest rates are 8% could expect his/her monthly loan payment (excluding taxes & insurance) to be $733.76. If the interest rate on the 30 year mortgage increased to 8.5% before the loan was closed, the borrower's monthly payment would increase to $768.91. To the marginally qualified borrower, this increase in monthly payment could mean a denial of the loan. 6. If you are trying to limit the amount of costs associated with the loan then letting the interest rate float until the closing date may be a viable option.   **How long should I lock my loan's interest rate?**   1. Common terms for lock-in periods range from 30-90 days, but lenders may offer lock periods for a greater or shorter amount of time. The longer the term, the higher the fees tend to be. 2. Ask the lender how long it will take to process and close the loan, and determine the appropriate lock term accordingly. Try to get a lock-in agreement for at least this period of time. 3. In home purchase situations, locking for an extra 15 days beyond the scheduled closing date will offer added insurance in the event of unexpected delays in the purchase/approval process.   **Get the terms of the rate-lock in writing:**   1. Get the terms of the rate-lock in writing. Make sure you understand any fees and clauses that are associated with the agreement. How long is the rate lock effective? How much does it cost? 2. Can the rate lock be extended in the event of delays in the loan process? Are lock-in fees refundable in event the loan process is halted?   **Ask your Lender to Lock-in options**   1. What options are offered in regards to rate lock-ins. Some lenders offer this rate protection at no charge. Many lenders will allow the borrower to lock the interest rates further into the loan process. Some lenders will allow the borrower to lock the loan's interest rate and will give the borrower a better rate if interest rates fall. 2. Borrowers should maintain regular contact with their lender during the application process to check on the status of the loan approval. Check on the loan status often. This will help assure a timely processing of the loan and prevent your lock-in from expiring prematurely. 3. Borrowers that choose to float their interest rate should keep track of interest rate movements. The 10 year Treasury note and 30 year Treasury bond yields are good barometers of fixed mortgage rates, while the 1, 3 and 5 year Treasury note yields can be good gauges of the introductory rate on Adjustable Rate Mortgage (ARM) loans. The business section of your newspaper and the business news on television can help you to track interest rate movements. Good economic news will generally cause the yield on Treasury notes/bonds to rise, which will often lead to higher mortgage rates. |