

When and How Do I Lock My Interest Rate?

What is an interest rate lock?

An interest rate lock is a mechanism that secures your selected interest rate and makes certain it will be applied to your mortgage. Until your rate is actually locked, your interest rate is unprotected and can change daily, sometimes throughout the day until you instruct your lender to lock you in.

When should you lock?

There is no exact science to locking. Are you happy with the rate and is the trend of rates up or down? Interest rates change constantly, and trying to time the market is nearly impossible. World economic data changes rates on a daily basis. Make sure you talk to us about your close date, and we can give you an update on what's going on with the markets, so that we can try to advise you on when to lock in your rate. If you are building, for sure ask the builder, in writing, permission to lock in the rate. That way if they close late, you have a better chance of them paying for your rate lock to be extended.

When can you lock?

We do need a completed loan application, a sale contract and permission to lock in your loan. We also need permission to order your appraisal. The lock is linked to you the borrower and the property you are buying.

You're In Control:

We typically will not lock in a rate without discussing this with you. On some programs, we may be able to honor one free float down that will allow us to get you a better rate (if rates improve .25% or more...) before we submit the loan for approval. Please discuss this with us before to see if this is something we can offer on the mortgage loan you are getting.

It's also important to remember that interest rates can affect your ability to qualify for a mortgage. When rates are higher borrowers qualify for less and when rates are lower you may be able to qualify for a larger loan amount or want to buy more of a house because the payment is lower. This is important if you are just barely qualifying for the amount requested. For example, if interest rates today are at 4.5% and you are approved, barely, then you should strongly consider locking in your rate.

Lock Terms:

Most borrowers lock in a rate for 30- 60 days. You can get longer, extended locks if you want to pay for them. These are usually something people look at if they're closing 6 months out. If you have questions about the different lock in terms, just email us or your loan coordinator and we will be happy to go thru all

the details for you. You do need a firm close date to lock in a loan. Some loan programs like NC housing, we lock in rates when we are getting ready to submit to underwriting (not before).

It is important that we lock and try not to let the interest rate expire.

So when should you lock?

We recommend you locking as soon as you are able and comfortable with doing so. Sometimes people can get stressed out about locking in a rate, but there's no reason for this. Rates are VERY LOW right now. We have some of the lowest rates in history. That is why we generally preapprove you at a higher than going market rate, just so that you're still approved if rates happen to move up. When you lock in, you will get the lower rate, if one exists, not that higher rate that we preapproved you at. Remember the interest rate affects the payment and can affect your ability to qualify. We actually subscribe to market monitoring programs and listen to the best interest rate experts. This allows us to have a handle on the daily movements in the interest rate market. We will help you navigate the process and make the right decision.

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