

Interest Rates

When is the Best Time to Lock?

When it comes to mortgage loans and interest rates, it's never a good idea to gamble. That's why I typically advise my clients to lock in an interest rate at the earliest opportunity. This is just one step of the standardized system we have put in place to ensure the best possible loan experience for each borrower that we work with.

A mortgage loan cannot be closed without a locked-in rate, and there are three main elements to take into consideration:

- Interest Rate
- Points or fees
- Length of the lock

Locking in a rate does not obligate the borrower to commit to the loan until the loan is actually closed. The lock is merely a security measure designed to eliminate the risk of market volatility throughout the duration of the purchase or refinance transaction. As long as the loan is approved and funded before the end of the lock period, the borrower will receive the interest rate quoted.



When a lender permits an extended lock-in period, the borrower will likely face a higher interest rate or additional fees that could be quoted as points. In other words, the borrower pays for the lender to take on the extended risk of being exposed to potential changes in the market.

For example, let's say a 30-day rate lock commitment costs the borrower one-half point, while a 60-day rate lock commitment costs one full point. If the borrower in this scenario needed the extended lock period, but did not want to pay points, then an alternative would be to accept a slightly higher interest rate. In this case, a 60-day lock would typically have a higher interest rate than a 30-day lock.

Our standard procedure is to lock in a rate as quickly as possible. My team and I want our clients to know that while interest rates fluctuate daily, most lenders do not want to lose any business because of it. If a significant rally causes interest rates to drop 0.25% or more, we know that we can most likely renegotiate the rate. In many cases, lenders prefer this option over losing the loan to another lender. On the other hand, if we'd allowed our clients to sit on the fence and not lock in their rate, we would have exposed them to market volatility without a safety net. Then, if rates were to increase, the borrower might no longer qualify for the loan they want - a situation that we want to avoid at all costs.

By knowing our clients' needs and working intimately with them to make the right decisions early on, my team and I are proud to say that we have helped them to achieve their home ownership dreams.

If you'd like to learn more about the loan programs we have available, please call me!

