UNDERSTANDING THE {MORTGAGE PROCESS}

Lock in your rate

In a seller's market, many homes appreciate at a faster rate than normal, due to low inventory and high buyer demand. Likewise, mortgage interest rates begin to rise to help correct the market imbalance.

Most buyers today get pre-approved for a loan prior to shopping, so they can make an offer quickly when they find a home. But before you sign the closing documents and unlock the door, you'll need to "lock in" your interest rate.

What is a mortgage rate lock?

A rate lock is a confirmation that a lender will give you a mortgage loan for a specific amount, at a certain interest rate, for a set period of time, provided no significant changes to your loan application occur.

Why is this important?

A rate lock protects the borrower from rising interest rates, which can significantly impact the borrower's ability to qualify for and repay the loan.

What's the risk/reward?

If interest rates rise during your lock-in period, you will pay the rate you locked in. However, if rates fall, you will still pay the locked-in rate.

❄ Even small fluctuations in interest rates can have a big impact on the amount you pay for a loan.

When should you do it?

Assuming you've been pre-approved, you should lock in your rate once you have submitted a contract on a home and have it accepted by the seller. An early rate lock is also important if your loan-to-income ratio is tight.

How long does it last?

Most rate locks are for 30, 45 or 60 days, depending on the lender. It's important to lock in your rate for as long as possible to allow for processing time of your loan. Longer rate periods usually mean a higher interest rate for the loan, or a fee.

What does it cost?

A rate lock for 30 days is usually free with most lenders. A longer period may cost a few hundred dollars, depending on the lender.

Your Allen Tate Mortgage Consultant can help you unlock the mysteries of rate lock!