



Rate Lock Options

There may be several options available for interest rate lock-ins such as:

Locked-In Interest Rate and Locked-In-Points:

This allows you to lock in both the interest rate and points quoted to you. In this "true" lock-in, your interest rate should not increase above the market interest rate and points that you've agreed upon even if the market conditions change.

Locked-In Interest Rate With Floating Points:

This allows you to lock in the interest rate, while letting the points rise and fall with changes in market conditions. If market interest rates drop during the lock-in period, the points may increase.

Floating Interest Rate And Floating Points:

This allows you to lock in the interest rate and the points later on, after the application, but before closing. If you think that rates are stable or may even go down, you may want to wait on locking in a specific rate and points. But, if rates go up, then you would expect to be charged a higher rate.

Time Periods:

There may be other options available to you as well and there are a variety of time periods for the lock-in of interest rates. Typically, the lender will hold a certain interest rate and a number of points for a specific number of days (lock-ins of 30 to 60 days are common). In order to get the locked rate, you must settle (close and fund) on the loan in that specific time period. The longer the period the higher the interest rate or points will be.

Before you decide on a locked-in rate, find out the estimated time for processing your loan. If the lock-in period expires before closing, you might lose the interest rate and the number of points. If market conditions have caused interest rates to rise, most lenders will charge you more for your loan. (One reason why some lenders may be unable to offer the lock-in rate after the period expires is that they can no longer sell the loan to investors at the lock-in rate.)