Title:
Don't Let Rates Get You, Lock It

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Summary:
When interest rates begin to go up on mortgages, having your rate locked in can really protect you until closing.

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Article Body:
When interest rates begin to go up on mortgages, having your rate locked in can really protect you until closing.

The average rate on a 30-year fixed rate mortgage has risen almost 1% in the past year. While the rise has been mostly gradual, many home buyers can't risk having their rate go up any between the application and closing on a home. They are already stretched as far as they can go to get into the home.

When you don't lock in your rate, it is floating with the market. A traditional rate lock is the lender's guarantee that your mortgage will have the quoted interest rate, points and other terms at closing.

A rate lock is usually set for a specific amount of time. If the home purchase isn't complete within the time limit, your rate will unlock. Then your interest rate can go up.

If you qualify for a given rate as the maximum mortgage amount you can receive, you are walking a tight rope. If interest rates rise before closing, you may have to add more of a downpayment or lose your financing. A rate lock will protect you from this.

When you lock in your rate in a traditional rate lock, if interest rates go down, you are stuck unless you pay additional costs. Some lenders offer "float down" options that will let your rate lower once if rates fall. But many of them will stick you back up to the higher rate if the rates rise.

The key to a rate lock is ensuring that you have everything in writing. Verbal locks aren't legal. If the lender says the rate is locked, make sure you get it in writing.

You should also pay attention to the pre-set time limit for the lock. In some cases, the lender may automatically extend your lock, but that doesn't always happen. Many will charge you a fee to extend the lock, often a percentage of the loan amount.

The rate lock contract should lock in as many costs as possible. This includes not only interest rates, but also points. The agreement should include you name, the lock's effective date, the agreement date, the lock cost, the rate and the loan terms that are locked in. There should also be an expiration date and time and any options upon expiration of the lock.

As soon as you see the desired rate for your mortgage, you should lock it in. This is usually found when you apply for the mortgage.

Before you set the lock-in period, make sure you have an accurate estimate on how long it will take to process the loan and close on the home. Once locked in, make sure that you push the lender and others to close on time. You can help by quickly returning phone calls and turning in any necessary paperwork as soon as possible.

The lock will cost you money. Some lenders will even charge you an up-front fee even if the loan doesn't close. Others charge a flat fee at closing. Some lenders charge a percentage of the mortgage amount, a fraction of a percentage point or a slightly higher interest rate for the rate lock. The cost varies depending on the options you choose and the mortgage program you qualify for.

Don't let rising interest rate surprise you at closing. Lock in your rate and worry about other things instead.