

the value of mortgage lock-ins

What is the value of a mortgage lock-in?

Locking in a mortgage rate with a lender is one way to ensure that same rate still will be available when you need it.

Lock-ins make sense when borrowers expect rates to rise during the next 30 to 60 days, which is the usual length of time lock-ins are available.

A lock-in given at the time of application is useful because it may take the lender several weeks or longer to prepare a loan application (though automated loan practices are cutting this time dramatically).

However, some lenders require borrowers to pay lock-in fees to assure particular rates and terms. Be sure to check that the rates and points are guaranteed and that your lock-in period is long enough. If your lock-in expires, most lenders will offer the loan based on the prevailing interest rate and points.

Lenders may have preprinted forms that set out the exact terms of the lock-in agreement. Others may only make an oral lock-in promise on the telephone or at the time of application.

Resources:

* "A Consumer's Guide to Mortgage Lock-Ins," published by the Federal Reserve Board and Office of Thrift Supervision, Washington, D.C.