

# Rate Locks



**A**n **interest rate lock** is a commitment from your lender to close your loan at a certain rate and cost so long as closing occurs within a certain period of time.

## When Can I Lock?

You are eligible to lock in a rate as soon as you know two things:

1. the address of the property you are buying
2. your closing date

In most cases, this means you can lock your rate as soon as you have an accepted offer, but there are exceptions. Perhaps you are waiting for your old home to sell, for the seller's bank to approve a short sale or don't yet know of when construction on your new home will be completed. If the timeline for your transaction is uncertain or unknown it may not be possible or advisable to lock until things firm up.

## Lock Means Lock (Except When It Doesn't)

Think of a rate lock as akin to an insurance policy, providing protection in the face of the uncertainty of the ever-changing interest rate market. Once locked, whether the interest rate market subsequently gets better or worse, your rate is set at the terms available the moment you locked. If you are risk-averse, you'll probably want to lock as soon as you can. If you are a gambler at heart or you have a hunch rates will be falling, you may not want to lock.

Select loans have a "float-down option" allowing you to lock a rate and float down to a lower interest rate if the market improves. These loans are few and far between, generally require a non-refundable deposit and only float down once, at a proscribed time. The vast majority of loans do not offer this feature, but whenever a float-down option is available, we'll let you know.

## Timing Matters

A rate lock is always good for a specific duration—30, 45 or 60 days is typical. Much longer rate locks are sometimes possible (up to 180 days), but generally only for a new home under construction. A shorter rate lock almost always costs less than a longer rate lock.

## Expiration and Extension

If your closing is delayed, most loans permit us to extend your rate lock before it expires. The cost varies based on the program, but a fee equal to .125% of your loan amount typically extends your lock by 4-7 days.

A rate lock that expires prior to closing is usually harmful. Relocks are subject to worst-case pricing between the terms of the expired lock and current market rates and extension of fees may apply. As such, it is generally advisable to extend your lock, rather than letting it expire.

## Making it Happen


As soon as you are eligible for a rate lock, we will be in touch. We will talk about timing, provide the available rate lock options, explain the decisions you need to make and provide guidance and advice. The lock itself is internal—you decide what terms to lock and we do the rest. Once your lock is confirmed, we will send you a Good Faith Estimate with your locked terms and key dates.

**About the only thing we can't do:** Tell you what interest rates are going to do. We keep forgetting to pick up our crystal ball from the shop.



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