

Should You Lock Your Interest Rate?

Good question! Maybe the best place to start is to read what the experts are saying. But even before that, you'll need to determine who you think the experts are and which are the most reliable. Let's assume for the moment that the national agencies listed below are the experts – since most people generally tend to rely on them for making interest rate projections. But now let's have a look at their track records...At the beginning of each year listed below, they made predictions of what the 30-year fixed mortgage rates would be in the fourth quarter of the same year. You will see that their 2018 predictions were much better than their 2019 predictions (rates listed are for the most qualified borrowers):

	2018 Q4 Prediction	2019 Q4 Prediction
□		
Mortgage Bankers Association (MBA)	4.8%	5.0%
Federal National Mortgage Association (FNMA)	4.2%	4.8%
Federal Home Loan Mortgage Corporation (FHLMC)	4.6%	5.3%
National Association of Realtors (NAR)	5.0%	5.3%
□	□	□
Average Prediction of the Experts:	4.7%	5.1%
	□	□
Year-End Actual 30-Year Fixed Mortgage Rates:	4.6%	3.7%

If you had relied on the “experts” and rushed to purchase a home for \$200,000 (with a 20% down payment) and locked in your interest rate at 4.6% at the end of 2018 (thinking that rates were headed to 5.1% in 2019), your monthly mortgage payments of principal and interest would have been \$820. But had you

waited to lock at the 3.7% 2019 year-end actual mortgage rate, you would have saved \$84 per month or just over \$1,000 per year in mortgage payments. If you had you ignored the experts and waited to lock your interest rate until the end of 2019 (instead of the end of 2018), you would have saved over \$30,000 of interest costs over the life of a 30-year mortgage!

Here's the Point: *Do your homework before locking your rate. But when the timing and the numbers work for you, don't second guess your lock decision (because even the experts get it wrong).*