



# Useful Tips

## Calculating Your Interest Rate and When to Lock

### Have you ever wondered what goes into assigning an interest rate to a loan program?

There are multiple reasons why interest rates change and multiple qualification points used to ultimately assign an interest rate to a loan. As a general rule, here are the basic qualification points used to determine a clients interest rate:

#### 1. Loan to Value

- a. The Loan Size divided by the Value of the property
- b. Typically, the lower the Loan to Value, the better the Interest Rate

#### 2. Time it takes to process a loan, or Lock Duration

- a. Lock Durations generally range from 10, 20, 30, 45, 60, 90, 120 days in processing
- b. Typically, the shorter the time it takes to process a loan the better the Interest Rate

#### 3. Length of a Mortgage or Term

- a. Mortgage Terms generally range from 5 Years to 40 Years
- b. Typically, the shorter term, the better the Interest Rate

#### 4. Credit Score

- a. Consumers Fico scores range from 350-850
- b. Typically, the higher the fico score, the better the Interest Rate

#### 5. Property Type

- a. Single Family, Condo, Modular, Townhome, 2-4 Unit
- b. Every property type has its own risk grade and pricing structure

#### 6. Occupancy

- a. Owner Occupied/Primary Residence, Second Home, Non-owner Occupied/Investment
- b. Every occupancy type has its own risk grade and pricing structure

#### 7. Product Type

- a. Conventional, FHA, Fixed, Adjustable, Interest Only, Negative Amortization
- b. Every product type has its own risk grade and pricing structure

## WHEN SHOULD I LOCK MY INTEREST RATE?

At Royal United Mortgage, we give our clients the ability to lock in their final Loan Structure and Interest Rate once an HVCC (Home Valuation Code of Conduct) compliant appraisal has been completed on their property. We observe this responsible practice so our clients are never misled as to what they truly qualify for and what their loan documents will look like upon closing. Because Home Value and Processing Time are critical factors in ultimately determining a client's interest rate, it is always responsible to obtain an HVCC compliant appraisal on your property prior to making any decisions about a final loan amount, term, loan structure, or interest rate.