

## *The Mortgage Fix*

**Competition among lenders and ongoing uncertainty over interest rate increases are two good reasons to consider fixing your interest rate on your home loan. However, there are a number of factors to consider when determining whether fixing is the best option for you.**

### **How do fixed rates work?**

Homeowners can choose to opt for a fixed rate on their home loan for a defined period, usually one to five years, after which the rate switches to the standard variable rate.

### **Reasons to fix**

Fixed rates particularly appeal to borrowers who would feel the financial pressure from any increase in loan repayments. A fixed rate provides peace of mind and helps to forecast your monthly budgets

### **Reasons not to fix**

- ✓ Fixed rate loans can penalise borrowers who make additional repayments (including early pay-out), so they can work out to be a more expensive product in the long run
- ✓ The fees and charges associated with switching loans may considerably erode the savings made from a cheaper rate
- ✓ Economic forecasting is notoriously unreliable and over a five year period interest rates may fall as well as rise leaving you locked into a higher rate than the standard variable

If neither of these options appeal there is a third way that will allow you to take advantage of the low fixed rates currently available and still retain some flexibility on your loan. A split loan will enable you to fix a portion of the loan, but the remainder will be at the variable rate. The fixed rate will provide a degree of certainty in your repayments, may minimise your exposure in the event of a rate rise, but by keeping a portion at the variable rate you are able to make extra repayments without incurring penalties.



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For further information, please don't hesitate to call AlphaLoan today so we can match your needs against 100's of home loans from our panel of lenders, including all the major banks and many more!

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