

## *To Fix Or Not To Fix? That Is The Question*

***As soon as market interest rates begin to rise, everybody seems to consider fixing the interest rate on their existing mortgage, but is that really the best step for you?***

Fixed rate mortgages have been around for a very long time, and these days there is a wide range of lenders offering those products. This often means greater and perhaps even more confusing choices for the consumer.

So, to try and make sense of this interesting question, let's take a look at some of the basic pro's and cons of fixed rate mortgages.

Certainly there are some strong positives. Firstly if interest rates in the general market place rise, your repayment doesn't change compared to a variable rate loan. This means you can budget for the monthly payment with some certainty as you know what the interest rate will be for the period you fix. So a general rate increase means you are not likely to have to scramble to find extra money to meet a higher commitment.

On the other hand, a disadvantage with fixed rate loans is that if interest rates do come down during the time you've fixed, the possible reduction in repayments doesn't get passed on to you either.

Also with some fixed rate loans the problem is that they allow you little if any flexibility. While not always the case, there may be restrictions on making extra bulk repayments, or having interest offset arrangements and re-draw facilities and the like. So, the choice of which product to go with needs to be made very carefully, matching your individual and specific needs with the product.

Finally be wary of whether there is any cost of breaking a fixed mortgage arrangement and, if so, what that cost is. Lenders may have a set amount that they need to earn from the fixed rate loan. So, if for example you needed to sell your property, and move for your job or some other reason and don't complete the full fixed term then there may be an additional interest penalty, called a break cost, to pay on early discharge of the mortgage.

There may be a good compromise in the right circumstances called a split loan. This type of loan may allow you to enjoy the best of both worlds by having some of the loan at a fixed interest rate and the balance at a variable rate.

What's the right choice for you?

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The choice of loan is often dependant on your individual circumstances and is a choice for you. However, the great part about having a mortgage broker, is that it's our job to give you advice on a range of products and facilities for you to consider; so if we can help in any way, give us a call.

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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