

Fixed Rate Home Loans

TO BE AWARE OF THE FOLLOWING FOR YOUR FIXED RATE

- Fixed rate home loans often have higher interest rates than variable rate home loans. The longer the fixed rate term, the higher the interest rate is likely to be. For example, a five-year fixed loan will usually have a higher rate than a three-year fixed loan.
- If interest rates do not rise, or if they fall during your fixed rate period, you will pay more interest than you would if you had a variable rate home loan.

POSITIVES OF FIXED RATE HOME LOANS

- During times of very low interest rates, fixing your loan can work to your advantage, because you can retain a low rate for a fixed term even if the rates rise steeply. Depending on the lender and the current interest rate, this could potentially lower your repayments and the total interest paid over the loan term.
- You know exactly how much your repayments will be during your fixed rate term, which can make budgeting easier.

THINGS TO CONSIDER

- Less Flexibility
- no offset facilities
- Break costs
- The rate is usually not set until settlement

REMEMBER

- If variable rates increase, you may pay more interest than if you fix your rate. It will depend on the size of the increase(s), how far into the term the increase(s) occur, and how long you hold the loan after the increase(s) occur.
- If variable rates stay flat or decrease, you will pay less interest than if you fix your rate. This is on the basis that your fixed rate is higher than the variable rate over the same period.

RATE LOCK

- Some lenders will provide you with the option of locking in the fixed rate prior to settlement occurring. This is referred to as "Rate Lock" and will involve paying a rate lock fee which will usually be calculated as a percentage of the loan amount.
- Most people who elect to Rate Lock do so at the time the application is submitted. It can be done later in the process— however, the lender can announce a rate increase at any time before settlement

OTHER INFORMATION

- Your decision whether to fix the interest rate on your loan should be based on your own circumstances, with your future in mind. Certainty of repayments is the best reason to fix your rate—they seldom help to beat rate rises over time.
- A fixed rate home loan allows you to set your interest rate for a period of one, three or five years. Sometimes, you can arrange to secure your interest rate for longer.