



DENTAL & MEDICAL

FINANCIAL SERVICES

Dental & Medical Financial Services

1 Market Square, Horsham,
West Sussex RH12 1EU

T: 01403 780 770

F: 01403 780 771

E: info@dentalandmedical.com

W: www.dentalandmedical.com

Fixed or tracker?

Making the right mortgage choice for your unique needs

With higher interest rates, it's perhaps no surprise that many borrowers seek the security and stability that a fixed rate mortgage provides. This type of mortgage offers a sense of security, with the repayment amounts remaining unchanged throughout the mortgage term.

Historically, short-term fixed rates (typically two or three years) have been the most popular with borrowers. Combining low rates with the flexibility to change your arrangements at the end of the fixed period has seen many homeowners choose this type of deal. However, more and more consumers are turning to a longer-term fix.

It's important to consider that longer-term fixed rate deals typically come with early repayment charges during the fixed period. If you wanted to move home or repay your mortgage, you could end up paying thousands of pounds of charges if you committed to a five-year deal.

Fixed rate or tracker mortgage, certainty or flexibility?

However, a fixed rate mortgage may not suit everyone's situation. If the base interest rate falls during 2024, the opportunity to benefit from lower monthly repayments would be missed. Conversely, if the rate increases, costs would rise. This unpredictability might steer some towards a tracker mortgage, particularly with speculation by some experts suggesting a decrease in the base rate over the next 12 to 24 months. A tracker mortgage could provide immediate reductions in the interest you pay. Ultimately, it's a question of whether you value certainty over flexibility.

Assessing mortgage term lengths

The length of the mortgage term significantly influences the decision-making process. While 25-year terms have traditionally been the norm, the rise in property prices has seen a shift towards longer mortgages as a means to reduce monthly repayments. However, given the recent increase in mortgage rates, committing to such a long-term deal might not be the most prudent move. Choosing the right mortgage could result in significant savings, whether you're buying a home or remortgaging.

Lure of a fixed rate mortgage

A fixed rate mortgage holds appeal for those seeking predictable monthly repayments. It provides peace of mind knowing exactly what your repayments will be for the duration of the deal, facilitating effective budgeting and safeguarding against unexpected bills if interest rates rise. However, with mortgage rates having increased substantially, you may only want to commit to a fixed deal if you plan to retain your property for the term of the deal, usually two to five years. An early exit from the deal could trigger an early repayment charge.

Standard variable rate mortgage, a default option

The standard variable rate (SVR) is the lender's default rate, typically higher than fixed rate or tracker deals, making it a less favoured choice among many borrowers. The SVR can vary and doesn't necessarily track the base rate like tracker mortgages. Typically, borrowers

will shift to the SVR automatically if their fixed deal expires without arranging a new deal.

Guarantor mortgage, a helping hand

A guarantor mortgage involves having a family member, such as a parent, agreeing to cover mortgage repayments if you cannot meet them. This arrangement could enable you to borrow more and make that crucial first step onto the property ladder, even with a small deposit. However, it requires careful thought, as the family members would be liable to cover the repayments should they fall behind.

Long-term mortgages, a double-edged sword

Opting for a longer mortgage term can reduce monthly repayments, providing some relief in managing finances. However, longer terms also mean paying interest over an extended period, leading to higher overall costs. Conversely, shorter mortgage terms allow for quicker repayment but come with larger monthly payments. It's crucial not to overstretch financially. ■

Looking for expert advice to navigate the often complex world of mortgages?

If you require further information or guidance in making your mortgage decision, don't hesitate to get in touch. Our team of experts is ready and waiting to assist you in navigating the often complex world of mortgages. For more information, please speak to us.