FIXED RATE MORTGAGES

Is now the right time to fix and for how long?

IN THE REALM of mortgages, a fixed rate mortgage refers to a financing option where the interest rate remains unchanged for a set initial period, which could span anywhere between two to five years, and occasionally longer.

With historically low base interest rates, fixed rate mortgages have surged in popularity and are now the most sought-after type of mortgage. It is important to note, however, that not every fixed rate mortgage is ideally suited for all individuals in the market for a new home or seeking to remortgage their current mortgage.

AVAILABILITY OF TEN-YEAR FIXED MORTGAGE DEALS

The mortgage market has recently seen a rise in the availability of ten-year fixed mortgage deals. However, it is important to weigh the advantages and disadvantages of opting for such a mortgage. Despite mortgage interest rates increasing across the board, the hikes have not been as significant in the case of ten-year and lifetime fixes (mortgages that remain fixed throughout the entire term, usually spanning 25 years).

If you are a first-time homebuyer planning to purchase this year, fixing your mortgage rate will be an option you are more than likely going to explore. Fixed rates offer the security and predictability of knowing exactly how much you will pay each month over the life of the mortgage loan. This can provide peace of mind as it helps shield you from potential interest rate rises over time.

DECISIONS ABOUT WHETHER OR NOT TO FIX

However, if interest rates fall during the time period for which your fixed rate is locked in, you could end up paying more than necessary with a fixed rate compared to what you would have paid with a variable or adjustable-rate loan.

Consumer price inflation still remains high, although many experts believe it is likely to have peaked. That's why it's important to obtain professional mortgage advice to weigh the pros and cons carefully before making any decisions about whether or not to fix your mortgage rate.

> **"There are both advantages and disadvantages to fixing your mortgage rate."**

REPAYMENTS IN TIMES OF FINANCIAL UNCERTAINTY

There are both advantages and disadvantages to fixing your mortgage rate. On the plus side, it offers a degree of stability since you know what your payments will be for the duration of the fixed period.

This can ease concerns about making loan repayments in times of financial uncertainty when interest rates may rise quickly.

UNDERSTAND ALL OF THE COSTS INVOLVED

On the other hand, fixing your mortgage rate means that you won't benefit from any potential drop in interest rates during the fixed period and this could be costly if market conditions change significantly before your mortgage is repaid. There may also be penalties for early repayment or switching lenders which could further reduce savings.

Whichever path you choose, it's important that you understand all of the costs involved in taking out and repaying a mortgage so that you can plan effectively for the future. With careful planning and budgeting, fixing your mortgage rate could be beneficial in securing long-term financial stability, but ultimately, fixing your mortgage rate is a personal decision.

ADVANTAGES

Get assured with consistent payments – By fixing your mortgage for two or more years, you can be sure of how much you will have to pay each month. This could be a valuable help amid the present-day cost of living crisis caused by high degrees of inflation.

Shield yourself from increasing payments – If inflation is not tackled and the base rate rises further this year, this could lead to higher mortgage payments for those on variable rates.

DISADVANTAGES

End up paying more than needed – If you fix your mortgage when many are predicting the base rate will go down, you might end up paying more than required. However, you'll only realise that in hindsight!

Miss out on the benefit from future rate decreases – If inflation falls faster than predicted and so does the bank base rate, you won't be able to take advantage of future lower mortgage rates until your fixed deal ends.

Pay early redemption charges to get out of the agreement – If rates do fall and you choose to switch your mortgage or relocate during your fixed-rate period, you may have to pay an early-exit fee which can cost thousands of pounds. It's also important to remember that there could be limits on how much you can overpay as well. ◆

>> LOOKING FOR A MORTGAGE, OR GOT A QUESTION? <<

Get an idea of how much you could borrow. To discuss options to lower your mortgage costs, for more information, contact **Dental and Medical Financial Services Limited** – telephone **01403 780 770** – email **info@dentalandmedical.com**.