



Fixed Rate Loans

A helpful guide for buyers

Introduction

Like all loan products there are advantages and disadvantages in taking out a Fixed Rate loan. The list below is by no means exhaustive and there may be other aspects that are relevant depending on your personal circumstances.

Advantages

- Easier budgeting with the certainty of fixed monthly repayments.
- Protects against rising market interest rates for the length of the fixed rate period.

Disadvantages

- If market interest rates fall during the fixed rate period, your interest rate won't change and the loan repayments will not fall.
- There may be limits on extra repayments you can make over the fixed loan term.
- If you do make additional loan repayments, redraw facilities on any extra repayments may not be allowed.
- Break fees will apply if you wish to pay out or switch loans within the fixed rate period. For example, a fixed rate loan may not be suitable if you are considering selling your home before the end of the fixed rate period.

Other Considerations

It is also important to note that it is the rate at settlement which will apply to the loan, not the rate at time of application. So, if the rate moves between application and settlement, either up or down, you get the applicable rate when the loan finally goes through.

You can protect yourself against a rate movement during that time by requesting a "Rate Lock" at the time of application. The banks charge a fee for this option which does vary between lenders. Please ask for a quote.

A Rate Lock is valid for 90 days from time of application so it is important to make sure your intended settlement will happen within that timeframe.

You can also "split" a loan into fixed and variable parts to give you some flexibility as the disadvantages listed above won't apply to the variable part of the "split". The split percentage can be whatever you choose subject to the minimum loan amount allowed by a lender for either the fixed or variable portion.

If you would like to discuss any of these items or if you have any questions in relation to fixed rate loans, please contact me.

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