

Find the best Mortgage Rates for your Financial situation

When you are shopping around for variable rate mortgages, you will find that many lenders advertise particularly attractive rate for an introductory period. This means that if your interest lies in variable rate mortgages that link to the Bank of England base rate, your rate for a short period of time will be a little closer to the actual base rate. For example, if a lender is offering variable rate mortgages at 2% higher than the base rate, they might offer 1.5% above the base rate for 2 years, after which time you would have to revert to the less competitive deal.

During this introductory period, you are strongly discouraged by the lender from looking around for other variable rate mortgage (or other deals) and they impose charges on you for moving. Afterwards however, fees are minimal or non-existent, and therefore it is a good idea to see what else is available. Another potential charge you will find on variable rate mortgages is an early repayment fee, and this is also levied in the introductory period. Although you might think that lenders would encourage people to pay off their variable rate mortgages ahead of time if they were able to do so, early repayment during the first few years of a loan means that the lender would lose out on significant amounts of interest.

Variable Rate Mortgage: The Basics

- You may benefit from falling interest rates. With a variable rate remortgage, your interest rate will rise and fall with the national base interest rate. If the base rate falls, your rate will also decrease, thereby saving you money.
- You may run into some financial uncertainty. If the base interest rate rises, your monthly payments will increase as well. The instability of the interest rate you're paying may cause some uncertainty if it suddenly increases dramatically.
- Many lenders variable rates are not competitive. If you opt for a variable rate remortgage, the interest rate you begin with may not necessarily be competitive with other lenders. The lure of a variable rate is the possibility that your rate could decrease if the base rate decreases.