

Fixed vs. Variable Rate Mortgages

Fixed vs. Variable Rate Mortgages - Pros and Cons

Fixed-Rate: Pros

- Rate doesn't fluctuate with market economy
- Peace of mind

Fixed-Rate: Cons

- Penalty to break term is usually considerably higher vs. variable, meaning more expensive to refinance or sell property
- Market shifts can lower lending rates without benefits to fixed borrowers
- Cannot switch to a variable during mortgage term

Variable-Rate: Pros

- Rate can be lower than a fixed rate
- Penalty to break term is usually considerably lower than a fixed rate, giving more flexibility to shop around or refinance
- Flexibility to switch to a fixed rate at anytime

Variable-Rate: Cons

- Market shifts can increase lending rates, raising the costs for variable borrowers
- Payment amounts can change during term of the loan
- Less peace of mind for those that prefer fixed rates

