4. Rates Explained

Once you've decided on the mortgage option that is right for you, it's time to decide on the type of rate for repaying your mortgage. You can choose from:

- **fixed rate**
- **variable rate**
- **tracker rate**
- **capped tracker rate**
- **discount rate**
- **any combination of the above**

fixed rate

A fixed rate loan is one where the interest rate charged is fixed by the lender for a specified period, typically 1 to 5 years. Regardless of how interest rates fluctuate in the meantime, the borrower's repayments will be fixed for the agreed period.

When you choose a fixed rate, it's often easier to budget because you will know exactly how much the mortgage repayment will be each month.

When the fixed rate you chose comes to an end, you can agree another fixed rate, or you can switch to a variable or tracker rate at the time. The choice is yours.

Note: Break funding fees may apply if you want to exit early from a fixed rate mortgage contract. See page 17 for details.

variable rate

With a variable rate, your monthly repayments may rise or fall from time to time in line with general market interest rates. If rates fall, your monthly repayment reduces. However if rates rise, you pay more. A variable rate may suit you if you are in a financial position where an increase in interest rates would not adversely affect your ability to repay.

You may also benefit from the fact that, unlike fixed rate mortgages, a fee will not be applicable if you wish to change to another mortgage type or voluntarily increase your repayments.

tracker rate

This is a 'variable rate' type mortgage that guarantees to track the European Central Bank (ECB) reference rate within a specified margin (percentage points).

The maximum rate charged is the ECB rate plus a specified % as agreed at the start of the mortgage (e.g. ECB + margin of 1.10%.) The margin charged depends on a number of factors including loan amount, loan to value, and the type of securities against which the loan is held. (i.e. primary residence or residential investment property).

The rate charged will move up and down as the ECB rate moves. You will be made aware of any changes within 30 days. From your perspective, this is a 'lock in' to current market rates.

capped tracker rate

This is similar to the tracker rate except that the lender guarantees that the rate charged cannot exceed a certain maximum rate regardless of how high the ECB rate rises. This protects customers from rising interest rates beyond a certain level, for a fixed period.

discounted rate

This is a discount off the standard variable or a tracker rate for a specified period of time (e.g. 12 months.) Upon expiry, the customer is charged the normal variable rate, the agreed tracker rate as specified at drawdown stage, or can opt for a fixed rate.

combination rate

This allows customers to allocate a part of their mortgage at a fixed rate and the remainder at a variable or tracker rate or any combination of the above. If rates fall, the repayments on the variable part of your mortgage will reduce, and if rates rise you have the security of knowing that only the variable payment is affected. We can tailor a split package to suit your needs.

WARNING:
FIXED RATE MORTGAGES: YOU MAY HAVE TO PAY CHARGES IF YOU PAY OFF A FIXED RATE LOAN EARLY.

WARNING:
VARIABLE RATE MORTGAGES: THE COST OF YOUR MONTHLY REPAYMENTS MAY INCREASE. THE PAYMENT RATES ON THIS HOUSING LOAN MAY BE ADJUSTED BY THE LENDER.

WARNING:
IF YOU DO NOT KEEP UP YOUR REPAYMENTS YOU MAY LOSE YOUR HOME.