

# Fixed or variable rate — which one is right for me?

When you're buying a home, you may not completely understand the difference between fixed rate and variable rate mortgages. Each has its own benefits and your choice will depend on your situation and your personal preferences. Here's what you need to know.

## The benefits of a fixed rate

With a fixed rate mortgage, your interest rate and your payments are locked in for the length of term that you choose. Even if interest rates rise, your personal mortgage rate won't change and your payment will stay the same. For many homeowners, this protection against rising interest rates is important for their peace of mind.

## The benefits of a variable interest rate

With a variable rate, your mortgage rate will fluctuate along with the bank's prime rate. In most cases, the monthly payment won't change, but what will change is the amount of each payment that goes towards principal rather than interest. For example, your payments may have to go up if rates increase enough that your existing payment does not cover all of the interest. And the reverse will happen when rates go down. So why would you choose a variable?

Historically, variable mortgage rates have almost always been lower than comparable fixed rates. In addition, you can switch to a fixed rate at any time, without paying a prepayment charge.

## Factors to consider

A number of factors may influence your decision between fixed and variable. Currently, interest rates are at record low levels. As a result, this may be an opportunity to lock in a fixed rate at one of the lowest levels we've had for some time.

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