

# Pros and Cons of a Fixed Rate Mortgage

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Fixed-rate mortgages are the most common mortgage for many homebuyers because the monthly payments are stable. The interest rate you lock-in will be the same interest rate you pay for the life of the loan - whether it's a 15-year or 30-year mortgage.

## Benefits of a fixed-rate mortgage

- If interest rates increase, your mortgage and your mortgage payment won't be significantly affected. Even if your taxes or insurance costs go up over time, your basic loan payment (principal and interest) will stay the same. This is especially helpful if you plan to own your home for five or more years.
- You know what your monthly housing expense will be for the entire term of your mortgage. This can help you plan for other expenses and set long-term financial goals for yourself and your family.
- You always know what your payment will be, regardless of what current interest rates are. This is why fixed-rate mortgages are so popular with first-time buyers.

## Other considerations of a fixed-rate mortgage:

- Your mortgage interest rate won't go down, even if interest rates drop, unless you refinance your mortgage.
- Because the interest rate is generally higher than other types of mortgage loans, you may not be able to qualify for as large a loan with a fixed-rate mortgage.
- Your total monthly payment can occasionally increase based on changes to your taxes and insurance. In many cases you pay these costs through an escrow account that your lender keeps for you.

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Source: FreddieMac.com

