

Fixed Rate Mortgage

With a fixed rate mortgage the interest rate does not change for the term of the loan, so the monthly payment is always the same.

Generally, the shorter the loan period, the lower the interest rate will be. Fixed rate mortgages are usually preferred when the interest rate is fairly low and one intends to keep the property for more than 5 to 10 years. Payments on fixed rate fully amortizing loans are calculated so that the loan is paid in full at the end of the term. During, the early amortization period of the mortgage, a large percentage of the monthly payment pays the interest on the loan. More of the monthly payment is applied toward the principal as the mortgage is paid down.

The most popular type of fixed rate mortgage is the thirty year fixed. Borrowers who want to pay off their loan sooner should opt for a fifteen year mortgage. Features:

- Payment does not change; it stays the same for the entire term of the loan.
- Interest rate also stays the same for the loan term, even if interest rates are on the rise.