

# Variable vs Fixed Rate Mortgages



**SUSAN LEE, B.A.**

Mortgage Advisor  
Origin - DLC  
C: 604-725-7725  
F: 604-638-7043  
susan@asksusanlee.com

# 550- 2608 Granville Street,  
Vancouver, BC, V6H 3V3  
www.asksusanlee.com

## What is a Variable Rate Mortgage?

A variable rate mortgage (VRM) often allows the borrower to take advantage of lower rates – the interest rate is calculated on an ongoing basis at a lenders' prime rate minus or plus a set percentage. When the prime rate is adjusted by Bank of Canada, based on economic factors, the variable rate on your mortgage loan will be adjusted as well. Though the prime lending rate may fluctuate, the relationship to prime will stay constant over your term.

### A variable rate mortgage is best for you if...

- You are comfortable with rate fluctuations to gain possible long term interest savings
- You have the flexibility to accept possible increases in your payments and amortization should the interest rate increase
- If you're planning to sell or revisit your mortgage before its term, due to its much more favorable penalty calculation (standard 3 months' interest penalty)

## What is a Fixed Interest Rate?

With a fixed rate mortgage your payments are always the same amount for its entire term. Fixed rate mortgages are chosen because of the high level of stability they provide.

### A fixed rate mortgage is best for you if...

- You prefer the peace of mind of predictable mortgage payments and amortization that are guaranteed not to change during the term of your mortgage and are willing to pay a slightly higher interest rate for that security
- You are confident you will not sell or refinance before your mortgage term is up as penalty calculations are generally higher with fixed rates (IRD)

## Which is better - variable or fixed?

There are many factors to consider: current prime and bond rates, predictions about where rates are headed, the overall economy and its impact on interest rates, your own tolerance for risk and penalty calculation policies. As a consumer, the best option is to have a candid discussion with your mortgage professional to ensure you have a full understanding of the risks and rewards of each type of mortgage for your immediate and future plans.