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Mortgage Rate-Fixed Rate Vs Flexible Rate by Lisa Darr

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A flexible rate mortgage allows the borrower flexibility in times but a fixed rate might not be the best choice.Variable rate mortgages have normally been a better option for the consumer for more than last 10 years. The interest rate was formerly calculated at an ongoing foundation at prime minus a set percentage. The Flexible Rate Mortgage changed from a Prime Minus offering to a Prime Plus offering because of the credit markets and other reason is the US Credit Crisis in 2008. Availability of funds has become limited and less, to battle with the crisis of scare credit and to constrict the belt slightly, Prime Plus has become the new standard.Prime rate is the best rate which bank offers to their most credit worth client.If you take an example of Canada if the prime lending rate is about 3.50 cent, the owner of prime plus 0.55 per cent mortgage will pay almost 4.05 per cent interest rate .

In the fixed mortgage rate monthly payments of the borrower to the bank or lender remain same for the duration of a loan. The interest rate and certain amount will be given to bank monthly in fixed basis .The most duration of fixed mortgage rate are for 1, 3 and 5 years . The benefit of fixed rate mortgages is that you know accurately how much your mortgage payments are left and whether rates rise or fall. This makes you easy to schedule your budgeting and it is less risky than variable rate mortgage.In a fixed mortgage rate you know accurately how much you have to give monthly but in flexible mortgage rate you give the money which you have left. Mostly flexible mortgage rates are for very long time period because you donâ€™t give exact amount every month. Some times your expenditure increases too much that you skip one of the installment and plan to give in to another month. It is easy for you but the major disadvantage is that the duration of mortgage increases.

The flexible mortgage rate has becoming very popular in the markets of United Kingdom. Many people don't understand still that what a flexible mortgage is and why it suits their situation. Basically it gives a greater control over managing your finance. Flexible mortgages allow borrowers to pay extra amount when they have some extra money to spend a flexible mortgage also offers borrowers to not pay if they are going on holidays or if they have any financial problem.A flexible mortgage suits the people which have flexible income resources. People who are with flexible income may get a big cheque one week and then nothing for many weeks. Some people like from sale departments who are taking their fixed salary with commission, and the people who earn bonuses can take this type of mortgage.Both types of mortgage have advantages and as well as disadvantages. Every one has its own different circumstances so you should choose mortgage plan according to your income and flexibility.

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Lisa Darr - About Author:
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