

# Top 5 fixed interest rate home loans compared

Fixed interest rates for home loans are currently at historical lows, but beware of the fees.

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## 01. Top fixed loans from banks and credit unions

Fixed loans can be a good choice if you need to budget, for example, if you are a [first home buyer with only a small deposit](#) or you have a baby on the way and will go from two incomes to one.

Like variable rates, fixed interest rates are currently at historical lows. "Rates below five per cent can be found for fixed terms of up to three years. These rates are very low and even if the [RBA](#) does cut some more, it is unlikely that fixed rates will go significantly below their current levels", says Peter Marshall, product data manager for [Mozo](#).

Fixed rates can give you certainty about your loan repayments.

However, the downside is you may have to pay expensive break costs should you want to repay the loan early.

How it works:

- When you lock in your interest rate your bank borrows money from the wholesale market.
- When you repay early, the bank needs to reinvest or relend the money at rates current at that time;
- If wholesale interest rates are lower than when you fixed the loan, the bank makes a loss and recoups the money from you.



The downside of fixed loans is that you may have to pay expensive break costs should you want to repay the loan early.

Tip: If you want to break a fixed mortgage, ask your bank for the fee and make sure you check the deadline, the break fee may change the next business day.

Look for fixed home loans that offer:

- 100% offset account - offered by [Adelaide Bank](#), for example.
- Extra loan repayments without penalty - available from many lenders, including the big four banks. Check exactly what limits apply.
- Low fees, use the comparison rate to compare home loan rates.
- The option to substitute the security (home) without paying break fees. This is important if you think you may want to sell during the fixed period.

Tip: Consider fixing part of your home loan, called a split loan. You can make extra repayments into the variable portion of the mortgage.

Trap: Don't try beating the bank. Even economists are often wrong when predicting long-term interest rate movements.

Big four banks fixed home loan deals				
Bank	1 year (%)	3 year (%)	5 year (%)	Extra repayments while fixed?
<b>ANZ*</b>	4.79	5.05	5.79	5% of initial loan balance or \$5,000/year, whichever is less
<b>CBA*</b>	4.79	5.09	5.69	\$10,000 per fixed term year
<b>Westpac*</b>	4.79	5.06	5.69	\$20,000 per fixed term
<b>NAB*</b>	4.79	5.09	5.79	\$30,000 per fixed term

Notes: Rates based on a packaged loan of \$250,000 over 25 years.

\*Fixed loans revert to the package home loan with an annual fee and package rate of ANZ, \$375, 5.08% CBA, \$375, 5.10% NAB, \$395, 5.08% Westpac \$395, 5.08%

Source: [mozo.com.au](http://mozo.com.au). Current at: 7 April 2014

## Top five fixed interest rate home loan deals

1-year fixed loans		
Lender	Rate (%)	Comparison rate (%)*
<b>IMB</b>	3.99	5.33
<b>UBank</b>	4.38	4.85
<b>eMoney</b>	4.42	4.64
<b>Reduce Home Loans</b>	4.44	5.34
<b>HSBC</b>	4.49	5.33