

Discounted Variable Rate

With discount rate mortgages the interest rate you pay is set below the SVR for a specific period. For example, if the SVR is five per cent, your rate could be four per cent, giving you a one per cent discount. Then if the variable rate rose to six per cent yours would rise to five per cent.

As with the variable rate, this would mean that you could benefit from lower payments but they may go up as well as down. One major consideration of a discounted rate mortgage that must always be born in mind is that at the end of the discounted term your mortgage repayments WILL increase back to the standard rate.