Mortgage Type

	Advantages	Disadvantages
Interest Only	Lower monthly payments because they only cover the interest. More flexibility to choose where your money goes. Decide how you will save to pay back the balance or use towards home improvements. You could make a profit if your investments perform well. Save enough to pay off your mortgage more quickly or keep a lump sum to buy something else.	More expensive overall because amount owed does not decrease over the mortgage term. Amount of interest you pay will not decrease. More complicated to look after because mortgage and repayment vehicle are separate. Risk that repayment vehicle may perform badly. If repayment vehicle relies on investments, pension funds, inheritance or rise in house prices, it may not make enough to pay off your mortgage at the end of the term.

RISK OF REPOSSESSION There is a risk that your home will be repossessed if you don't keep up your repayments. If your home is repossessed, your lender may look to sell the property quickly and potentially below what you consider to be its true market value. This could cost you any money that you might have made through appreciation in the housing market or improvements you've carried out.

CARA Mortgage Services

Mortgage Type

	Advantages	Disadvantages
Repayment Mortgage	Pay less interest overall because amount owed decreases monthly. Later in the mortgage's term, more of each payment goes toward the balance. Lower interest rates later in the mortgage term because you can get better deals once your outstanding balance is smaller. Own your home at the end of the mortgage term after making all repayments.	Monthly repayments will be higher than with an interest only mortgage.

RISK OF REPOSSESSION There is a risk that your home will be repossessed if you don't keep up your repayments. If your home is repossessed, your lender may look to sell the property quickly and potentially below what you consider to be its true market value. This could cost you any money that you might have made through appreciation in the housing market or improvements you've carried out.

CARA Mortgage Services

Mortgage Type

	Advantages	Disadvantages
Fixed Rate Mortgage	Certainty and stability of a fixed monthly payment. During the set period your monthly mortgage repayments won't change, even if your lender's SVR or the Bank of England bank rate does. Enables you to plan ahead and budget for other household and day-to-day expenses, without facing any repayment surprises.	Fixed-rate mortgage deals can, in some instances, have higher rates than their variable-rate counterparts. For example, you won't get any benefit from a drop in the bank rate. Arrangement fees may be required to set up a fixed-rate mortgage. You may face early repayment charges if you pull out of a fixed-rate deal before the end of the deal period.

RISK OF REPOSSESSION There is a risk that your home will be repossessed if you don't keep up your repayments. If your home is repossessed, your lender may look to sell the property quickly and potentially below what you consider to be its true market value. This could cost you any money that you might have made through appreciation in the housing market or improvements you've carried out.

CARA Mortgage Services

Mortgage Type

	Advantages	Disadvantages
Variable Rate Mortgages – The types of these mortgages fall into the three following categories.	Your repayment amount may decrease if interest rates were to fall.	The primary risk involved with a variable rate mortgage is the potential for a rise in payment if interest rates increase. This can make monthly budgeting challenging.

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CARA Mortgage Services

Mortgage Type

	Advantages	Disadvantages
Tracker – The rate tracks a fixed economic indicator, generally the Bank of England's rate. This means it is completely locked in parallel with that rate.	When interest rates are very low, a tracker mortgage may allow you to pay less than with a fixed rate (where repayments don't change regardless of a shift in interest rates)	When interest rates go up, so will your mortgage rate, so you could end up paying more than with a fixed-rate mortgage.

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CARA Mortgage Services

Mortgage Type

	Advantages	Disadvantages
Standard Variable Rate (SVR) – Usually the rate you are moved on to at the end of your fixed rate or introductory tracker offer.	Due to your interest rate not being linked to any penalties, an SVR mortgage gives you freedom to pay down, pay off and change your mortgage when it suits you.	SVR rates are typically set by the lender and are not linked to a benchmark rate (as is a tracker). If the lender wants to raise interest rates they can do so irrespective of what's happening in the wider economy.

RISK OF REPOSSESSION There is a risk that your home will be repossessed if you don't keep up your repayments. If your home is repossessed, your lender may look to sell the property quickly and potentially below what you consider to be its true market value. This could cost you any money that you might have made through appreciation in the housing market or improvements you've carried out.

CARA Mortgage Services

Mortgage Type

	Advantages	Disadvantages
Discount Rates – The Deal offers a discount from the lender's SVR.	Allows a slightly lower rate than a typical SVR, so monthly payments may be less per month.	As this rate is linked to the lender's SVR, then the lender can change the SVR as it chooses. As a result, it may not be as cheap as it first appears.

RISK OF REPOSSESSION There is a risk that your home will be repossessed if you don't keep up your repayments. If your home is repossessed, your lender may look to sell the property quickly and potentially below what you consider to be its true market value. This could cost you any money that you might have made through appreciation in the housing market or improvements you've carried out.

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