

Fixed vs Variable Home Loans: Which Is Right for You? - Natloans

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Fixed vs Variable Home Loans: Which Is Right for You?

By Mary Nebotakis, Managing Director, Natloans, B. Eco, Dip. Financial Services

Choosing a home loan is one of the biggest financial decisions you'll make, but selecting the right interest rate structure can be just as important as choosing the lender.

One of the first questions many borrowers ask is: should I choose a fixed or variable home loan? The answer depends on your financial goals, lifestyle and attitude towards interest rate changes. Both loan types offer advantages, and neither is universally "better" – the right choice is the one that best suits your circumstances.

For more than 15 years, Natloans has helped over 10,000 Australians compare home loans from more than 50 lenders, backed by more than 900 five-star Google reviews and recognised as Best Finance Brokerage (Office) – Victoria & Tasmania, Better Business Awards 2026.

What Is a Fixed Rate Home Loan?

A fixed rate home loan locks in your interest rate for an agreed period, commonly between one and five years.

During the fixed period, your repayments generally remain the same, even if market interest rates change.

For many borrowers, this provides greater certainty when budgeting.

Benefits of a Fixed Rate Loan

A fixed rate loan may suit borrowers who value certainty and predictability. Potential advantages include:

Consistent repayments during the fixed term

Protection if interest rates increase

Easier household budgeting

Greater confidence when planning future expenses

For borrowers with a tight monthly budget, knowing exactly what repayments will be each month can provide valuable peace of mind.

Things to Consider with Fixed Rate Loans

While certainty is attractive, fixed rate loans can involve trade-offs. Depending on the lender and loan product, borrowers may encounter:

Limits on additional repayments

Restrictions on redraw facilities

Fewer offset account options

Break costs if the loan is repaid or refinanced before the fixed term ends

Less flexibility if your financial circumstances change

If interest rates fall during the fixed period, you generally won't benefit until your fixed term expires.

What Is a Variable Rate Home Loan?

With a variable rate loan, your interest rate can move up or down over time.

Changes may occur when lenders adjust their pricing in response to market conditions, funding costs or movements in the official cash rate.

This means your repayments may increase or decrease during the life of the loan.

Benefits of a Variable Rate Loan

Variable loans often appeal to borrowers who value flexibility. Potential benefits may include:

Opportunity to benefit if interest rates fall

Greater flexibility

Additional repayment options

Offset account availability on many products

Redraw facilities on many loans

Easier refinancing if your circumstances change

Many borrowers also appreciate being able to make unlimited additional repayments, allowing them to reduce interest over time.

Things to Consider with Variable Loans

Because the interest rate can change, repayments may also fluctuate. This means borrowers should be comfortable with the possibility that repayments could increase if interest rates rise.

Budgeting for future changes is an important part of choosing a variable loan.

Fixed vs Variable: What's the Difference?

Here's a side-by-side look at how the two options generally compare:

Repayments: Generally remain consistent during the fixed term, compared to a variable loan where they may increase or decrease over time

Interest rate: Locked in for an agreed period on a fixed loan, versus able to change throughout the loan on a variable loan

Budget certainty: High for fixed loans, moderate for variable loans

Flexibility: Often more limited on fixed loans, generally greater on variable loans

Offset accounts: May be limited on fixed loans, often available on variable loans

Additional repayments: May be capped on fixed loans, often more flexible on variable loans

Break costs: May apply on fixed loans, generally not applicable for standard variable loans

What About Split Home Loans?

Many borrowers don't realise there's a third option. A split home loan combines both fixed and variable interest rates. For example, you may choose to:

Fix a portion of your loan for repayment certainty

Leave the remaining balance on a variable rate for greater flexibility

This approach allows borrowers to balance certainty with flexibility. Whether it's suitable depends on your individual financial goals and circumstances.

Which Home Loan Is Right for You?

Every borrower's situation is different.

A fixed rate loan may appeal if you:

Prefer repayment certainty

Like predictable budgeting

Are concerned about potential rate increases

A variable loan may suit you if you:

Want greater flexibility

Plan to make extra repayments

Want access to an offset account

Are comfortable with changing repayments

A split loan may suit borrowers who want a combination of both. Rather than asking which loan is objectively "better," it's more useful to ask: which loan is better for my circumstances?

Why Speaking to a Finance Broker Matters

Choosing between fixed and variable rates isn't just about comparing interest rates. It's about understanding:

Loan features

Repayment flexibility

Future financial goals

Borrowing capacity

Lender policies

Refinancing opportunities

At Natloans, we compare products from more than 50 lenders to help you understand the options available. Instead of trying to compare dozens of loan products yourself, our experienced brokers can guide you through the process and explain the pros and cons of each option.

How Interest Rate Changes May Affect Borrowers

Interest rates naturally rise and fall over time. Rather than trying to predict exactly what will happen in the future, many borrowers focus on choosing a loan structure that they can comfortably manage under different market conditions.

Having a clear understanding of your household budget, financial goals and long-term plans can often be more important than attempting to time the market.

Let Natloans Help You Compare Your Options

Whether you're buying your first home, refinancing an existing mortgage or investing in property, choosing the right loan structure is an important decision. Our experienced brokers take the time to understand your circumstances before recommending lending options that align with your goals.

Clients benefit from:

Award-winning service – Best Finance Brokerage (Office), Victoria & Tasmania, Better Business Awards 2026

More than 900 five-star Google reviews

Access to more than 50 lenders

More than 10,000 clients assisted

Book your FREE 15-minute consultation today here or call 1300 955 791 and let our team help you compare fixed, variable and split home loan options.

Frequently Asked Questions

Is a fixed or variable home loan better?

Neither option is universally better. A fixed rate loan offers repayment certainty, while a variable rate loan generally provides greater flexibility. The most suitable option depends on your financial circumstances and goals.

Can I switch from a fixed rate to a variable rate?

In many cases, borrowers can move to a variable rate after their fixed term ends. Switching during the fixed period may involve break costs, depending on the loan agreement.

What is a split home loan?

A split home loan combines fixed and variable interest rates within the same mortgage. This allows borrowers to balance repayment certainty with loan flexibility.

Should I refinance my home loan if interest rates change?

It may be worth reviewing your loan whenever your financial circumstances or market conditions change. Refinancing isn't always the right choice, but a home loan review can help you understand the options available.

How can a finance broker help?

A finance broker compares loan products from multiple lenders, explains the differences between loan structures and helps you choose a solution that aligns with your financial goals and circumstances.

General Information

The information contained in this article is general in nature and does not take into account your personal objectives, financial situation or needs. Before making any financial decisions, you should consider whether the information is appropriate for your circumstances and seek professional advice where required.

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