



Variable vs. Fixed Interest

YEAR	AVRG Fixed*	AVRG Variable*	BEST RATE	BEST/WORST
2000	8.20%	7.27%	variable	1.07%
2001	7.18%	5.81%	variable	1.37%
2002	6.70%	4.20%	variable	2.50%
2003	6.04%	4.69%	variable	1.35%
2004	5.80%	4.00%	variable	1.80%
2005	5.48%	4.35%	variable	1.13%
2006	5.98%	5.81%	variable	0.17%
2007	6.36%	6.10%	variable	0.26%
2008	6.41%	4.73%	variable	1.68%
2009	5.05%	2.40%	variable	2.65%
2010	4.82%	2.60%	variable	2.22%
2011	4.57%	3.00%	variable	1.57%
2012	4.24%	3.00%	variable	1.24%
2013	4.17%	3.00%	variable	1.17%
2014	4.08%	3.00%	variable	1.08%
2015	3.77%	2.80%	variable	0.97%
2016	3.70%	2.70%	variable	1.00%
2017	3.79%	2.83%	variable	0.96%
2018	4.36%	3.64%	variable	0.72%
2019	5.10%	5.93%	variable	0.83%
2020	4.46%	4.11%	variable	0.35%
2021	4.79%	2.15%	variable	2.64%

*based on a 5 year term

KEY TAKEAWAYS

- A **variable interest rate** loan is a loan where the interest charged on the outstanding balance fluctuates based on an underlying benchmark or index that periodically changes.
- A **fixed interest rate** loan is a loan where the interest rate on the loan remains the same for the life of the loan.
- A variable rate loan benefits borrowers in a declining interest rate market because their loan payments will decrease as well.
- However, when interest rates rise, borrowers who hold a variable rate loan will find the amount due on their loan payments also increases.
- A popular type of variable rate loan is a 5/1 adjustable-rate mortgage (ARM), which maintains a fixed interest rate for the first five years of the loan and then adjusts the interest rate after the five years are up.

Sources: Investopedia (2021)
Superbrokers (2021)