Tracker Mortgage: Definition, Pros & Cons

A **tracker mortgage** is a particular kind of variable-rate mortgage that follows the base rate set by the Bank of England as its central interest rate. The interest rate on a tracker mortgage changes in tandem with changes in the base rate. Compared to fixed-rate mortgages, trackers are more adaptable and react to changes in the market. Trackers may be helpful to you if you are purchasing or **searching for a new mortgage deal** and do not want to fix the mortgage for certain years or standard variable rate. Read more about it below.

How Do Tracker Mortgages Work?

Tracker mortgages usually "track" the Bank of England's base rate of interest, which is the **interest rate** at which other banks are charged to borrow money from the **Bank of England**. Because of this, the interest rate you pay on a tracker will differ. But it's usually preferred by borrowers who don't mind taking the chance that rates could rise or fall.

Also Read: [UK Interest Rates: How High Would They Rise?]

Difference Between Tracker and Variable Rate Mortgages:

The primary difference is that the lender does not determine tracker mortgage interest rates. Usually, trackers are available at a slightly higher rate than the base rate set by the Bank of England but still lower than standard variable rate mortgage products. For example, a tracker designated as BEBR +0.95% suggests that, for the duration of the mortgage agreement, it will be 0.95% higher than the base rate.

Why Does The Rate on a Tracker Mortgage Change?

Interest rates for those with tracker mortgages fluctuate in response to changes in the Bank of England's base rate. The BEBR is reviewed eight times a year but does not fluctuate much.

Tracker Mortgage Pros:

- Your repayments will decrease together with the Bank of England's interest rates, regardless of collar rates.
- Some lenders may permit you to convert from an adjustable-rate mortgage to a fixed-term mortgage should interest rates rise without an early repayment charge.
- You can have very low repayments and excellent introductory rates.
- When weighed against other mortgage options, early repayment charges may be more reasonable.

Tracker Mortgage Cons:

- Your monthly payments may go up if the base rate does.
- Some lenders may charge an early repayment charge if you want to pay off your mortgage in full or if you decide to remortgage within the introductory term.

Also Read: How Much Can I Afford To Borrow On A Mortgage?

Conclusion:

A tracker mortgage is a type of variable rate mortgage that follows a specific base rate, typically the Bank of England's base rate, plus a set margin. This means your mortgage payments can increase or decrease when the base rate changes. For expert guidance on tracker mortgages, consider consulting Mountview Financial Solutions, a reputable mortgage broker in London, who can help you navigate the process and find the best deals.

Original Source: **https://mountviewfs.co.uk/tracker-mortgage-definition-pros-cons/**