The mortgage interest

The interest portion of the installment, determined by the repayment plan for the repayment of the capital granted by the bank, is calculated according to the rate, which may be fixed or variable.

The two cases: fixed rate and variable rate

In the first case, i.e. in the fixed-rate mortgage, **the interest rate remains the same** as it is in the contract stipulated by the citizen, for the entire duration of the loan.

In the variable-rate mortgage, on the other hand, **the interest rate varies** from the initial rate, according to deadlines set in advance. It follows the fluctuations of a reference parameter, such as the market or monetary policy rate.

Comparing them, the fixed-rate mortgage allows the borrower to know with certainty the amounts of the installments and thus the amount of the total debt (principal plus interest) to be repaid to the bank. It does not, like the variable-rate mortgage, allow the borrower to take advantage of possible reductions in market rates, but over time there could also be increases that would make the portion of interest to be repaid (and consequently also the payment of installments) unsustainable.

Specificities

If the citizen is more than 30 days late in paying an installment, the bank will charge **interest on arrears,** which will be added to the amounts already due.

In the event of non-payment, the bank may **dissolve the contract** and, if the citizen is unable to repay the capital that he owes, he loses the right of ownership over the property.

The property, therefore, is the collateral of the financing institution involved: the adjective 'mortgage' indicates that, in the event of insolvency, the citizen offers the house itself as repayment.

More: Other types of mortgage: mixed-rate mortgage, option mortgage, threshold mortgage